

DEPARTMENT OF THE NAVY
BUREAU OF NAVAL PERSONNEL
WASHINGTON, D.C. 20370-5000

IN REPLY REFER TO

BUPERSINST 1710.13A
Pers-655
8 AUG 1996

BUPERS INSTRUCTION 1710.13A

From: Chief of Naval Personnel

Subj: NAVY CLUB FOOD, BEVERAGE, AND ENTERTAINMENT OPERATIONS

Ref: (a) OPNAVINST 1700.7D
(b) SECNAVINST 5400.14A
(c) SECNAVINST 1700.11C
(d) BUPERSINST 7043.1A
(e) NAVSO P-3520, Financial Management Policies and
Procedures for Morale, Welfare and Recreation
Programs
(f) DOD 1015.3-R of 31 May 82 (NOTAL)
(g) SECNAVINST 5370.2J
(h) SECNAVINST 4001.2F
(i) SECNAVINST 5100.13A
(j) OPNAVINST 6100.2
(k) SECNAVINST 5870.4
(l) BUPERSINST 1710.15
(m) NAVPUBINST 5600.42A
(n) OPNAVINST 5218.7A
(o) NAVSO P35, Department of the Navy Publications and
Printing Regulations
(p) BUPERSINST 1710.11B
(q) NAVMED P-5010-1, Manual of Naval Preventive Medicine
(r) NAVSUP Publication 486, Volume II, Food Service
Management -- Officer's Quarters and Messes Afloat
and CPO Messes Afloat
(s) BUPERSINST 7510.1
(t) NAVMILPERSCOMINST 5300.1
(u) BUPERSINST 7200.2
(v) SECNAVINST 5212.5C
(w) OPNAVINST 5000.52A
(x) SECNAVINST 7510.9
(y) SECNAVINST 7510.7E
(z) BUPERSINST 7040.14
(aa) NAVSO P-1000 NAVCOMPT Manual, Volume 4, Disbursing
(bb) SECNAVINST 5401.3A
(cc) SECNAVINST 5300.22C
(dd) NAVSO P-1000 NAVCOMPT Manual, Volume 7, Sec 075500,
Morale, Welfare and Recreation Activities
(ee) SECNAVINST 5312.13A

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(ff) DOD Directive 1330.9 of 15 Dec 86 (NOTAL)
(gg) DOD Directive 7060.3 of 9 Mar 79 (NOTAL)
(hh) SECNAVINST 5216.5C
(ii) NAVFACINST 11010.44
(jj) OPNAVINST 11010.20E
(kk) BUPERSINST 5890.1
(ll) SECNAVINST 5100.10G
(mm) SECNAVINST 5214.2B
A) (nn) DOD Directive 1000.11 of 26 Jul 89 (NOTAL)
A) (oo) SECNAVINST 5381.5A

Encl: (1) Regulations, Policies, and Procedures for Navy Club
Food, Beverage and Entertainment Operations

1. Purpose. To issue policies and procedures for the establishment, operation, and administration of Navy club food, beverage and entertainment programs per references (a) through (oo), and enclosure (1). This instruction is a complete revision and should be reviewed in its entirety.

2. Cancellation. BUPERSINST 1710.13, NAVMILPERSCOMINST 1746.1, and BUPERSINST 7010.13.

3. Policy and Scope. It is the policy of the Navy to provide Naval personnel and their families with programs which will effectively contribute to their morale and well-being. Reference (a) established responsibility for policy, overall coordination, and execution of Morale, Welfare and Recreation (MWR) programs within the Navy, which includes club food, beverage, and entertainment operations.

4. Applicability. The provisions of this instruction apply to the administration and operation of Navy commissioned officers', chief petty officers', enlisted and all-hands' clubs, specialty food, beverage, and entertainment operations, snack bars, and Flag messes ashore.

5. Action

a. All levels of command shall comply with the provisions of this instruction.

b. The Chief of Naval Personnel (CHNAVPERS) shall initiate continuing action to comply with the designated responsibilities in this instruction.

6. Forms. See page xi of this instruction for listing of forms and their availability.

7. Reports. The following reporting requirements have been approved for 3 years from the date of this instruction:

a. Report Control Symbol BUPERS 1746-8, Quarterly Gaming Devices Performance Statement, is assigned to NAVPERS 1746/5 contained in chapter 6, paragraph 605.

b. Report Control Symbol BUPERS 1746-11, Gaming Machine Income Statement, is assigned to NAVPERS 1710/4 contained in chapter 6, paragraph 605.

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**Regulations, Policies, and
Procedures for Navy
Food, Beverage and
Entertainment Operations**

Department of the Navy

Bureau of Naval Personnel

Enclosure (1)

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DEFINITIONS

The following definitions apply when used throughout this manual:

- a. Active Duty. Full-time duty in the active military service of the United States (U.S.). Includes duty on the active list; full-time training duty; annual training duty; and attendance while in the active military services, at a school designated as a Service by law or by the Secretary of the military department concerned.
- b. Activity Manager. Individual appointed by the commanding officer to supervise and control day-to-day operations of the activity concerned.
- c. All Hands Club. A club serving both officer and enlisted personnel.
- d. Amusement Machines. Any coin or dollar bill-operated device which affords amusement and/or recreation, including but not limited to machines playing sound and/or video recordings, pinball machines, air hockey games, electronic video games, etc., which may afford free games or other non-cash prizes. The term specifically excludes gaming devices which dispense cash prizes and vending machines which dispense any type of product such as cigarettes, beverages, chewing gum, etc.
- e. Appropriated Funds (APFs). Funds appropriated by the Congress of the U.S.
- f. Ashore. When used in this instruction, means operating ashore (on land) whether temporarily or permanently, and includes the U.S., its territories and possessions and foreign countries.
- g. Auxiliary Resale Outlets (AROs). Resale type operations that may be warranted as a supplement to clubs, Navy Exchange foodservice and vending facilities and nearby commercial foodservice facilities. Such operations offer limited food and beverage services for unit convenience/fund generation, but not as a duplication of services identified above.
- h. Chief Petty Officers' Club. A club serving military personnel in pay grades E-7 through E-9.

i. Commissioned Officers' Club. A club serving commissioned officers, commissioned warrant officers, and warrant officers.

j. Concessionaire. A private sector commercial enterprise under contract to an authorized NAFI for the purpose of providing goods and/or services.

k. Family Member. Includes any of the following:

(1) Lawful spouse.

(2) Children under 21 years of age and unmarried, including preadoptive children, adopted children, stepchildren, foster children, and wards who depend upon the sponsor for over half of their support.

(3) Children who are 21 years of age or over, unmarried, incapable of self-support because of a mental or physical handicap, and who depend upon the sponsor for over half of their support, including adopted children, stepchildren and wards.

(4) Unmarried children, including preadoptive children, adopted children, stepchildren, foster children, and wards who have not passed their twenty-third (23rd) birthday and are enrolled in full-time course of study at an institution of higher learning and who depend upon the sponsor for over half of their support.

(5) Parents, including father, mother, father-in-law, mother-in-law, stepparents and parents by adoption, who depend upon the sponsor for over half of their support.

l. Enlisted Club. A club serving enlisted personnel of the Armed Services. May serve all or a portion of enlisted personnel, e.g., military personnel E-1 through E-6, military personnel E-1 through E-9, etc.

m. Clubs. MWR activities whose primary mission is to promote and maintain well-being, morale, and efficiency of Naval personnel by providing dining, social entertainment and recreational facilities.

n. Military Services. The U.S. Army, Navy, Air Force, Marine Corps and U.S. Coast Guard.

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o. Nonappropriated Funds (NAFs). Monies other than those appropriated by the Congress of the United States. There is no accountability for these funds in the fiscal records of the Treasury of the United States.

p. Private Organization. A non-Federal organization, incorporated or not, established by individuals acting exclusively outside the scope of any official capacity as officers, employees, or agents of the Government, and operating on a Department of Defense installation with the written consent of the installation commander or higher authority.

q. Program Manager. A command or office authorized by the Secretary of the Navy to administer technical direction and coordinate administrative and managerial control over an MWR group or activity.

r. Morale, Welfare and Recreation Activity. A term used by the Navy to identify recreation and club activities.

s. Reserve Components. Includes the Army National Guard and Air National Guard of the U.S., the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, the Coast Guard Reserve, and Reserve Officers of the Public Health Service.

t. Uniformed Services. Unless otherwise qualified, the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service and National Oceanic and Atmospheric Administration and its predecessors (the Coast and Geodetic Survey and the Environmental Science Services Administration).

ACRONYMS

| | |
|-----------|--|
| ACNP | Assistant Chief of Naval Personnel |
| AFCUP | Armed Forces Culinary Upgrade Program |
| AFNAFPO | Air Force Nonappropriated Fund Purchasing Office |
| AFPEO | Armed Forces Professional Entertainment Office |
| APF | Appropriated Fund |
| ARO | Auxiliary Resale Outlet |
| ATF | Bureau of Alcohol, Tobacco and Firearms |
| AUDGENAV | Auditor General of the Navy |
| BEP | Break-Even Point |
| BUPERS | Bureau of Naval Personnel |
| CFR | Code of Federal Regulations |
| CHNAVPERS | Chief of Naval Personnel |
| CNO | Chief of Naval Operations |
| COGS | Cost of Goods Sold |
| CONUS | Continental United States |
| CPA | Certified Public Accountant |
| CPO | Chief Petty Officer |
| DAR | Daily Activity Report |
| DoD | Department of Defense |
| DoN | Department of Navy |
| DRMO | Defense Reutilization Marketing Office |
| IRS | Internal Revenue Service |
| ISIC | Immediate Superior in Command |
| MS | Mess Specialist |

| | |
|------------|---|
| MWR | Morale, Welfare and Recreation |
| MWRF | Morale, Welfare and Recreation Fund |
| NAF | Nonappropriated Fund |
| NAFI | Nonappropriated Fund Instrumentality |
| NAVBCSTSVC | Navy Broadcasting Service |
| NAVCOMPT | Navy Comptroller |
| NDER | National Defense Executive Reserve |
| NEX | Navy Exchange |
| NMWRTU | Navy Morale, Welfare and Recreation Training Unit |
| QOL | Quality of Life |
| RAMCAS | Recreation and Mess Central Accounting System |
| SECNAV | Secretary of the Navy |
| TDY | Temporary Duty |
| U.S. | United States of America |
| USDA | United States Department of Agriculture |

FORMS

The following forms are available in the Navy supply system using requisitioning procedures contained in NAVSUP P-2002, Navy Stock:

List of Forms:

| | |
|------------------------|--|
| NAVPERS 1746/19 (8-81) | Private Party Contract, S/N 0106-LF-017-4695 |
| NAVPERS 7010/11 (3-88) | Daily Activity Record Summary, S/N 0106-LF-070-1056 |
| NAVPERS 7010/2 (9-82) | Recreation Fund Financial Statement, S/N 0106-LF-070-1011 |
| NAVPERS 7010/12 (3-88) | General Journal Voucher, S/N 0106-LF-070-1061 |
| NAVCOMPT 2276 (8-81) | Request for Contractual Procurements, S/N 0104-LF-702-2761 |
| NAVCOMPT 2212 (10-71) | Certificate of Disposition, S/N 0104-LF-706-5250 |
| NAVCOMPT 735 | Budget Record, S/N 0104-LF-701-2400 |
| NAVCOMPT 2277 (8-88) | Public Voucher, S/N 0104-LF-003-0800 |
| DD 1155 (4-93) | Order for Supplies or Services, S/N 0102-LF-011-4700 |
| DD 1149 (3-59) | Requisition and Invoice/Shipping Document, S/N 0102-LF-011-1001 |

The following forms are available from the Federal supply system through normal supply procurement procedures:

| | |
|-----------------|--|
| SF 33 (4-85) | Solicitation, Offer and Award, NSN 7540-01-152-8064 |
| SF 1034 (10-87) | Public Voucher for Purchases and Services other than Personal (FLAT), NSN 7540-00-634-4206 |

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| | |
|-----------------|--|
| SF 1034 (10-87) | Public Voucher for Purchases and Services other than Personal (4-PART SNAPOUT), NSN 7540-00-900-2234 |
| SF 97 (9-61) | U.S. Government Certificate of Release of a Motor Vehicle, NSN 7540-00-634-4047 |

The following forms are available upon request from the Bureau of
Naval Personnel (Pers-655).

| | |
|-----------------------|---|
| NAVPERS 1710/4 (1-94) | Gaming Machine Income Sheet |
| NAVPERS 1746/5 (1-94) | Quarterly Gaming Devices Performance Statement |

CHAPTER 1

GENERAL PROVISIONS AND DEFINITIONS

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CHAPTER 1

GENERAL PROVISIONS AND DEFINITIONS

101. Responsibilities

a. The Chief of Naval Personnel (CHNAVPERS). CHNAVPERS is designated by reference (a) as the agent of the Chief of Naval Operations (CNO) for overall policy concerning Morale, Welfare and Recreation (MWR) programs within the Navy and for coordination of the various program elements to achieve the most cost-beneficial operations. Per reference (a), the Director, MWR Division (Pers-65) functions as the program manager on behalf of the CHNAVPERS. A Board of Directors (BOD) and a Quality of Life (QOL) Policy Board consisting of representation from selected major claimants assist with financial, operational, and QOL issues in the Navy. The BOD and the QOL policy board serve the interests of the chain of command and provide input regarding policy and procedures.

b. Program Manager. As program manager, CHNAVPERS is responsible for the general supervision and technical and administrative guidance for all MWR activities ashore and afloat. This responsibility is exercised through the Bureau of Naval Personnel (BUPERS) Director, MWR Division. The BUPERS MWR Division is responsible for the following MWR elements:

(1) Fair distribution and monitoring of nonappropriated fund (NAF) resources.

(2) Development of fiscal management and control procedures for efficient use of NAF resources.

(3) Establishment of procedures and instructions for the fiscal oversight and review of Nonappropriated Fund Instrumentalities (NAFIs).

(4) Fiscal oversight of club operations, to ensure continuing effectiveness and protection of assets.

(5) Oversight of clubs to ensure their continued effectiveness in meeting mission requirements and the needs of patrons.

c. Echelon II Commanders and Immediate Superiors in Command (ISICs). Under their command authority, Echelon II commanders and ISICs shall review and inspect all clubs within their respective command to ensure the proper management and efficient use of funds. BUPERS MWR Division can assist by providing technical advice and, when available, assistance in conducting the inspection. An inspection check-off list in appendix B is provided as a guide.

d. Command Support. The command support responsibilities for ashore activities assigned by reference (b) apply equally to clubs ashore as to other departments of the command. Copies of local directives pertaining to clubs shall be forwarded to BUPERS MWR Division (Pers-65), via the appropriate Echelon II and ISIC.

e. Commanding Officers/MWR Directors. The administration, supervision and operation of MWR activities serving all personnel assigned to units supported by a designated activity are the responsibility of the commanding officer, or the MWR director acting on his or her behalf, of the supporting activity. This responsibility is subject to the overall administrative guidance contained in this instruction. Commanding officers shall establish and execute an adequate MWR program within their command which is consistent with available resources and which meets the expressed needs of naval personnel and their families. Commanding officers/MWR directors must ensure that programs are established, administered and operated in a safe and efficient manner. They are responsible for the financial condition, to include solvency, stability and dissolution of MWR Funds (MWRFs). In this regard, a commanding officer/MWR director shall:

(1) Ensure club programs and services contribute to maintaining esprit de corps, morale, health and readiness of Navy personnel.

(2) Conduct regular fiscal oversight reviews of the MWR Activities under his or her authority.

(3) Ensure club activities meet the financial and operating standards outlined in chapter 3 of this instruction. When standards are not met, the commanding officer shall submit a waiver request to the Echelon II, which shall include a plan of action to maintain the new standards, and provide a copy to BUPERS (Pers-65).

(4) Budget for authorized appropriated funds (APFs) for the NAF activities.

(5) Ensure that club activities comply with the policy and program management responsibilities concerning the sale of merchandise and services as required by reference (a) and that they comply with alcoholic beverage control instructions in chapter 4 and reference (c).

(6) Monitor these activities to ensure their financial success and:

(a) Review and approve in writing expenditures for resale merchandise or operating supplies in excess of \$2,500 per line item that constitute more than a normal 60 day supply. Expenditure

approval does not constitute procurement authority; procurement actions must be conducted per reference (d). The commanding officer may authorize in writing a dollar amount above or below the amounts specified; and/or designate in writing a member of the command other than the activity manager to approve requests in excess of the amounts authorized.

(b) Review and approve in writing expenditures for entertainment in excess of \$2,500 per performance, or contracted entertainment that exceeds \$5,000 per accounting month. As stated above, the commanding officer may authorize in writing a dollar amount above or below the amounts specified and/or designate in writing a member of the command other than the activity manager to approve requests in excess of the amounts authorized.

(c) Ensure that local fiscal oversight and reviews, audits and inventories are conducted routinely as required by this instruction.

(d) Ensure that funds placed in the retirement and severance pay account for employees' retirement or severance pay are used only for that purpose unless otherwise specifically authorized in writing by the CHNAVPERS.

f. Club Coordinator. The club coordinator may also serve as one of the club managers. The club coordinator shall:

(1) Supervise the club managers.

(2) Assist the MWR Director in carrying out command responsibilities and follow-up to ensure fiscal oversight recommendations that apply to clubs are completely implemented.

(3) When specifically designated in writing, sign purchase orders or other documents that obligate club funds.

g. Activity Managers. The activity manager shall:

(1) Supervise the overall operation of the club including budgeting, fund solvency and internal controls, and development of facility improvement and equipment procurement programs.

(2) Ensure that financial and operating standards, chapter 3, are met.

(3) Maintain custody of all records and property of the activity and all Government property in their possession. The manager is responsible for the safekeeping, preservation and accessibility for

inspection of all property and will not permit removal from the activity's premises without the commanding officer's approval.

(4) Sign financial documents of the activity unless relieved of this responsibility by the appointment of a designated financial manager.

(5) Sign purchase orders unless delegated to a purchasing agent or department head.

(6) Be responsible for the verification of merchandise receipts and the safekeeping of all merchandise.

(7) Be responsible for the receipt, safekeeping, deposit, disbursement and accountability of funds in his or her custody and establishing effective cost controls.

(8) Maintain accurate accounts and records.

(9) Encourage responsible use of alcoholic beverages.

(10) Employ and discharge employees paid from club funds and establish working hours for employees.

(11) Establish a training program for all personnel that provides continual training in sanitation, safety, fire prevention, drug and alcohol abuse prevention, standards of conduct and quality job performance.

(12) Conduct personnel administration following BUPERS instructions and the Federal Personnel Manual.

(13) Keep informed of all current policies and regulations applicable to club operations.

102. Legal Status. Navy clubs, as instrumentalities of the U.S. Government, are entitled to the immunities and privileges enjoyed by the Federal Government under the Constitution, established principles of law and international treaties and agreements. The clubs are exempt from direct state and local taxes.

103. Proprietary Interest. Clubs shall not be operated for the financial profit of any person, group, or combination of persons, and no individual shall have any financial interest or right, in any manner whatsoever, in any property used, acquired or held in the operation of a club.

104. Establishment. The establishment of a Navy club requires the prior approval of CHNAVPERS. Refer to chapter 2. Requests for the establishment of an activity shall be forwarded via the chain of

command. A copy of the authorization letter shall be retained by the activity in permanent files, readily available for review by appropriate authorities.

105. Organization Chart. Each activity shall prepare an organization chart indicating the chain of command for every billet up to and including the commanding officer. It should indicate clear lines of authority and responsibility and provide for adequate separation of duties in accordance with reference (e).

106. Location. Clubs shall be located on property owned by or under the control of the U.S. Government. The use of club funds for the purchase or lease of real estate without the approval of CHNAVPERS is prohibited.

107. Disestablishment or Change in Operation. Clubs shall not be disestablished or changed to another type of operation without prior written approval from CHNAVPERS. Requests will be forwarded to CHNAVPERS via the chain of command.

CHAPTER 2

CLUBS ASHORE

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CHAPTER 2

CLUBS ASHORE

SECTION A. MISSION AND CLUB PRIVILEGES

201. Mission. The Navy's food, beverage, and entertainment programs are customer-driven business activities, whose primary mission is to promote and maintain the well-being, morale, and efficiency of the Navy community. These programs foster camaraderie and esprit de corps consistent with Navy values as a benefit of military service. They are an integral part of Navy quality of life.

202. Patronage. Navy clubs are nonmembership NAF activities except as provided in paragraph 205. Navy clubs are operated for the following categories of personnel: active duty personnel assigned to the installation or directly supported by it and their family members; active duty personnel and their family members not assigned to the installation; members of the Naval reserves and their family members; Department of Defense (DoD) (including NAF employees) and other federal employees in the U.S. working on the naval installation concerned, and those DoD civilians in areas outside the U.S., subject to international agreements.

203. Authorization for Additional Patronage

a. General. Additional categories of patrons may be authorized except when in conflict with other Department of the Navy (DoN) issuances and internal agreements. In no instance will participation be authorized for individuals in a priority group without individuals in all higher priority groups having first been authorized. Commanding officers may prescribe guest privilege limitations as appropriate. When participation privileges are extended to guests, they shall assume the priority of their sponsors. In accordance with reference (f), if the facilities of the club permit, commanding officers may authorize patronage to the categories of personnel listed below in descending order of priority.

(1) Members of the Military Services on the retired list with pay.

(2) National Guard Units.

(3) Other uniformed personnel, including employees of the National Oceanic and Atmospheric Administration and the U.S. Public Health Service, on active duty or on the retired list with pay.

(4) Uniformed personnel retired without pay.

(5) U.S. Naval Academy Midshipmen, cadets of the Army, Air Force, and Coast Guard Academies; officer candidates when in an active duty training status; Aviation Officer Candidate; Navy Flight Officer Candidate; Naval Reserve Officer Training Corps Midshipmen and Reserve Officer Training Corps Cadets only when on active duty during college vacation; and candidates for naval officer programs who are aboard the station for application processing.

(6) Active duty military personnel of foreign nations when authorized exchange privileges in the continental United States (CONUS) or overseas.

(7) Unremarried former spouses and other dependents entitled to commissary, exchange and theater privileges.

(8) Uniformed, paid members of the American National Red Cross (hereafter referred to as "Red Cross") assigned to the installation.

(9) DoD employees (including NAF employees) and other federal employees in the U.S. working on the naval installation concerned.

(10) DoD employees who are retired and who were members of the club before retirement.

(11) DoD contractor employees, technical representatives, and employees of military banking facilities and credit unions working on the installation concerned. Those outside the U.S. are subject to the international agreements.

(12) Members of the National Defense Executive Reserve (NDER) upon presentation of appropriate authorization credentials. NDER members shall be considered equivalent to the GS-15 level.

b. Honorary Privileges. May be extended to the following individuals:

(1) Recipients of the Medal of Honor, honorably discharged veterans of the Military Services with 100 percent service-connected disability and their surviving spouses.

(2) Unremarried surviving spouses of military personnel who died while on active duty or while in retired status.

(3) Waiting spouses of prisoners of war or of missing in action military personnel.

(4) Individuals who have distinguished themselves in direct association with the DoN as approved by BUPERS.

c. Other Eligibility

(1) Family members of all authorized patrons in paragraph 202 and subparagraphs 203a and b above shall be afforded the same privileges as their sponsors.

(2) DoD civilian employees on temporary duty (TDY) to the installation may use the club.

(3) The commanding officer may extend privileges of the club to other individuals who have distinguished themselves with the Navy. These may include members of Congress, state, and local government officials and civilian community leaders.

(4) The commanding officer is authorized to establish agreements with local governments for use of similar Category A and B MWR programs when it is in the best interest of the Department of the Navy, and when the provision of such agreements are otherwise in compliance with applicable law and regulation. When existing Category C programs have capacity excess to authorized patron requirements, the Chief of Naval Personnel and the Deputy Chief of Staff (Manpower and Reserve Affairs) may grant waivers for local community use on a case by case basis. This waiver authority may not be delegated.

204. Recruiters and Recruiting Influencers. Commanding officers may allow use of clubs by military recruiters, recruiting influencers and potential recruits. Commanding officers may authorize use of clubs to show one of the many facets of military life that may influence potential recruits to enlist. The following applies:

a. Recruiting Influencers. Recruiting influencers are those members of the civilian community recognized by the commanding officer who aid the Navy in acquiring recruits. They may be designated as honorary members, issued a club privilege card and extended full use of the club programs and activities for recruiting purposes.

b. Potential Recruits. Potential recruits are persons eligible for enlistment into a military service. When accompanied by recruiters or recruiting influencers, potential recruits may use the club as guests.

c. Monitors. Those monitoring groups of potential recruits during the functions at the club (for example, teachers and chaperons) may use the club during those events.

205. Dues Clubs. When approved by the commanding officer, clubs may charge membership dues. All commands shall advise the BUPERS MWR Division (Pers-65) when establishing dues. Membership shall be

voluntary. Eligible patrons shall not be requested to give reasons for declining or discontinuing membership. Membership privileges will be protected by periodic checks of membership cards.

a. Rates. The commanding officer may choose to establish a single dues rate per month for all patrons or a sliding scale rate based on the military and civilian grade structure. Commanding officers may authorize special promotions, e.g., reduced rate for annual dues paid in advance, reduced prices for members, etc.

b. Waivers.

(1) Commanding officers may waive dues charges for unremarried widows or widowers of members of the Armed Forces of the U.S. and their reserve components who died in the line of duty while on active duty, or who died on the retired list with pay.

(2) Membership dues shall not be charged for dependent spouses of Armed Forces personnel being held as prisoners of war or who are missing in action.

c. Delinquency. Dues are not considered delinquent until after the last day of the month in which they are payable or after 30 days of the date billed, whichever comes later. The member may be charged for the month in which he or she joined, but not the month in which he or she leaves. Members delinquent in dues continue to receive full membership privileges until suspended or terminated under local established procedures.

d. Refunds. Members shall be refunded the unused portion of their prepaid dues based on reassignment from the installation or upon acceptance of their letter of resignation from the club.

e. Membership Cards. Identification of members of dues clubs shall be by membership cards.

206. Identification of Patrons. Any person using a club shall be positively identified as an authorized patron entitled to privileges of the activity. Proper security measures shall be taken to prevent unauthorized use. Identification of authorized patrons shall be an official Armed Forces identification card or other official identification. Club privilege cards may be issued to those authorized patrons who are not entitled to an official Armed Forces identification card or a Uniformed Services identification card. Prior approval of CHNAVPERS is not a requirement. Identification of members of dues clubs shall be by membership cards.

207. Guests. Authorized patrons may invite bona fide guests to the club. A bona fide guest is an individual who has been specifically

invited by an authorized patron or group to the club. The authorized patron assumes overall responsibility for the guest's conduct. To help prevent unauthorized access to clubs, management shall establish and maintain adequate local monitoring procedures. Commanding officers shall be sensitive to active duty patronage concerns in establishing guest authorization policy.

208. Private Functions. A private function is a function for which a sponsor/host makes special arrangements by signing a private party contract regardless of the number of persons involved. Examples of private functions are functions that require:

- o Preparation of a special menu or a menu from an established catering brochure.
- o Preparation of more portions of the standard food menu than the club would normally expect to sell during the meal period.
- o Scheduling of additional employees to set up a separate dining area, to prepare food and beverages, and provide a service (food, bar or other department).
- o Special beverage (bar department) preparation, i.e., setting up a portable bar, etc.
- o Exclusive use and/or set-up of a room with or without food and beverage.
- o Special attention to the food or bar service for those in attendance.

Examples of functions which are not considered private party functions are:

- o A luncheon/dinner in a private area of the club when patrons select from the standard dining menu with no additional preparation, set-up or employee scheduling required.
- o Reservations for a group to dine in the main dining area of the club where meal selection is from the standard dining menu and service is handled without scheduling of additional employees and where there is no dedicated bar for private cocktail service for the group.

a. Types of Private Functions. Regardless of the type of private function, a private party contract (i.e., group reservation contract), described in paragraph 208c of this instruction is

required. See paragraph 322 for payment procedures for official command functions.

(1) Group Social and Business Functions. Club facilities may be used for group social and business functions, provided that the majority (i.e., minimum of 51 percent) of the attendees are authorized patrons of the club. The following are examples of these functions:

(a) Navy Ball, ship's party, "dining-in."

(b) Retired Officers' Association dinner meeting, Navy Reserve Association quarterly meeting.

(2) Personal Social and Business Functions. Authorized patrons may host a social or business function when most of the attendees are not authorized patrons if they personally contract the party (or function) and assume responsibility for the group's actions. Examples of personal social and business functions follow:

(a) Wedding reception, anniversary party, retirement party, etc.

(b) Training meeting, annual awards or Christmas party for personally owned businesses.

(3) Command Sponsored Functions. Private social and business functions recognized as making a positive contribution to community relations may be recognized and authorized by the commanding officer. The following are examples of these functions:

(a) NAF activities (NEX, on-base credit unions, etc.), may request the use of club facilities for group social and business functions (many employees may not have club privileges).

(b) Clubs/organizations/volunteer groups, such as Lions, Rotary, Navy League, Navy Relief, Red Cross, etc.

(c) Youth/education groups, such as Girl Scouts, Boy Scouts, little leagues, high schools, community colleges, universities, etc.

(d) Athletic competitions consisting of teams or competitors usually sponsored by schools, clubs, etc. When the Navy hosts such competitions, the club facilities may be used for award banquets or social receptions.

b. Schedule. Club managers are responsible for maintaining complete schedules for all private functions scheduled at the club. A

private party log (computerized or written) shall reference all functions by a prenumbered private party contract. The log shall be made available to the accounting and fiscal oversight and review staff for verification with receipts due and received as a result of private functions.

c. Contracts. All scheduled private parties and groups require the proper completion and execution of a prenumbered private party contract. The contract shall be signed by the club manager or designated representative and party sponsor, who must be an authorized patron of the club. Management shall advise the patron who signs the contract that he or she will be held responsible for meeting the total costs agreed upon and will ensure that the status of personnel attending is per the signed contract. It is appropriate to require advance deposits for private parties. Local policies should be established regarding event cancellation and refund of deposits. When a cancellation is made and accepted by the club, and no expenses are incurred by the club as a result of the cancellation, management may exempt the sponsor from all charges. Otherwise, all expenses incurred as a result of preparation for the function shall be charged to the sponsor. The MWR department must account for contracts prior to the function to ensure adequate safeguard and separation of the administrative and financial functions. Once management activates a contract (i.e., once a contract is assigned to a patron), one copy shall be immediately forwarded to accounting. Management shall forward a second copy of the contract with a Daily Activity Report (DAR) to accounting after the function has taken place. The accounting office is responsible for monitoring gaps in the numerical sequence of the private party contract numbers and for requesting club managers to investigate, explain and report discrepancies to the MWR director.

d. Private Party Brochure. To help patrons in booking a private party, the club should provide the patrons a private party brochure that includes, as a minimum, the following:

- (1) Telephone numbers to call for information about arranging a party.
- (2) Who may attend the functions.
- (3) Assortment of priced menus available including light and heavy hors d'oeuvres, buffets, breakfasts, brunches, luncheons, dinners, coffee breaks, etc.
- (4) Beverage lists with prices.
- (5) Seating capacities and arrangements, floor plans and table set-ups.

(6) Availability of special equipment, sound systems, flags, lectern, microphone, etc.

(7) Prices for live music, photographers, video taping services, flowers and other services.

(8) Policies on service charges.

(9) All policies and procedures involving services, additional charges, staffing, food, beverage, set-up, etc., that apply to a private function.

e. Leftover Foods and Beverages. In keeping with the hospitality industry's practices, food items and beverages not consumed during the function may not be removed from the premises.

209. Standards of Conduct. Reference (g) sets standards of conduct and government ethics to which NAFI personnel will strictly adhere. High standards of conduct require that both the commitment of a breach of ethics and the appearance of such a breach, be scrupulously avoided. Commanding officers shall advise the BUPERS MWR Division Fiscal Oversight Section (Pers-656E) and the chain of command when significant irregularities or serious incidents occur involving fraud, mismanagement or misconduct. Major irregularities and incidents shall be reported by message. Subsequent reports will be sent until the irregularity has been satisfactorily concluded.

a. Gratuity Acceptance. Except as provided in references (g) and (h), no person shall accept any entertainment, gifts, loans or favors of any kind, no matter how innocently tendered or received, from any person or firm who seeks or enjoys dealing with an activity which may result in financial profit or benefit to themselves. If any doubt exists regarding legality or propriety, your local base legal office and/or the BUPERS MWR Division should be consulted before, not after, the fact.

b. Refusals. Refusals of gifts and favors shall be made in a courteous, but conclusive manner. The individual or concern making the offer shall be informed of the policy regarding this practice and the standards of conduct imposed upon personnel of the government doing business with outside interests.

c. Attendance at Social Functions. It is neither necessary nor desirable for personnel, in the normal conduct of their official duties to lunch, dine or party with individuals or representatives of firms or corporations doing or seeking to do business with a NAFI activity to discuss or transact official business matters. The foregoing provision does not preclude attendance at widely attended luncheons, dinners and similar gatherings sponsored by industrial,

technical and professional associations for the discussion of matters of mutual interest to the government and industry as provided in reference (g).

d. Prohibitions. Personnel assigned or employed by an activity are prohibited from:

(1) Selling articles in the activity for their own personal benefit.

(2) Making any personal profit in the purchase or sales of the activity.

(3) Taking advantage of any wastage, price reductions or favors of any kind.

(4) Accepting any personalized gifts.

(5) Accepting any contributions or donations from commercial organizations for themselves, for other employees, employee parties or other select groups.

e. Suspension of Vendor/Suppliers. A vendor/supplier guilty of offering a gratuity may be debarred or suspended by the commanding officer from doing any further business with the NAFI.

f. Reporting of Infraction. Personnel who have reason to believe that a gratuity (in the form of entertainment, gifts or otherwise) was offered or given by a vendor/supplier or by an agent representative to any personnel of the NAFI to securing profitable business dealings, or which would result in personal financial profit or benefit, shall forward a full report of the alleged infraction, properly documented, to the applicable commanding officer.

210. Standards of Dress. Standards of dress for authorized patrons and bona fide guests shall conform to those of the local community for similar type facilities. There should be proper standards of dress and decorum maintained, as appropriate to the different areas and services provided and the formality or informality of the functions. At all naval air stations, flight suits or other work apparel worn by flight crews should always be permitted in at least one room where food and beverages are served.

SECTION B. AUTHORIZED AND UNAUTHORIZED ACTIVITIES AND SERVICES

211. Authorized Activities and Services. The activities and services listed below may be operated directly by a club or club annex.

a. Sale of Merchandise

(1) Alcoholic and non-alcoholic beverages.

(a) For on-premise consumption: malt beverages, wines and distilled spirits by the drink.

(b) For off-premise consumption:

1. Malt beverages in six packs at a price no less than the NEX selling price for the same product. Sale for off-premise consumption is authorized only at times when the service is not provided by the NEX. (See Authorization For Sale, subparagraph 405b.)

2. Malt beverages in kegs.

(2) Food in prepared form for on-premise and take-out service, and delivery of individual orders.

(3) Essential toilet articles only when the local NEX is closed or not available and at a price no less than the NEX selling price for the same product.

(4) Sundry merchandise such as candy, newspapers, souvenir items with the club logo, i.e., T-shirts, hats and cups. Sale prices of these items will be no less than NEX prices.

(5) Tobacco products subject to the following restrictions:

(a) To those club patrons at least 18 years old authorized NEX privileges:

1. Limit of two packages per day at a price no less than the NEX single package selling price.

2. Where there is no NEX, the sale of carton tobacco products is authorized.

(b) Vending machine sales of state tax paid cigarettes are authorized to those club patrons not authorized NEX privileges.

(c) Designated Smoking areas. Per reference (i), smoking shall be permitted only when it does not endanger life or property, or risk impairing non-smokers' health. As necessary, the commanding officer shall designate and post smoking areas in all eating facilities. Smoking areas shall be permitted only if adequate space is available for non-smokers and ventilation is adequate to provide them a healthy environment. Reference (j) states that where conflicts arise between the rights of smokers and rights of nonsmokers, those of the nonsmokers shall prevail. Commanding officers shall issue a written tobacco use policy which includes a list of designated smoking areas and restricts tobacco use to "designated areas only" in club facilities.

b. Food and Beverage Outlets. Food and beverage outlets such as dining rooms, bake shops, banquet rooms, snack bars, pubs, ice cream parlors, delis, cafes, taverns, bars and cocktail lounges, and nightclubs. Clubs may provide on-base delivery service.

c. Off-Premise Catering Services

(1) Clubs may provide catering services (food and alcoholic and nonalcoholic beverages) for patrons at any possible location on the installation (e.g., golf courses, beaches, parks, etc.), or on nearby Navy property or in government housing areas.

(2) For patrons off the installation, the club is limited to preparing food items, nonalcoholic beverages, supplies and rental of various items for pick-up at the club by the patron or his or her representative. This pick-up may be complete meals, reception items, etc., and is not limited to simple party trays.

d. Entertainment programs. (See paragraph 214.)

e. Check Cashing and Currency Conversion Services

f. Random Giveaway Promotions. Random giveaway promotions such as club card and door prize drawings may be played at installations under exclusive U.S. jurisdiction or must conform to local laws. Overseas, the provisions contained in international and status of forces agreements apply.

g. Coupons. Coupon distribution for promotional dinners, food or merchandise free or at a reduced price (alcoholic beverages excluded).

h. Concessionaire Services. Concessionaire services are subject to the provisions of reference (d). Contracts for concessionaire services with commercial vendors, for the sale of items such as clocks, jewelry, artwork and specialty food items shall be in writing. Clubs shall derive income based on a percentage of the gross sales made by such concessionaires. Sales of such items shall not be in

conflict with installation NEX operations. Before entry into a concessionaire contract, the local NEX Officer should be consulted to determine if desired products/services can be provided by NEX. Clubs shall ensure that concessionaires have proper insurance to protect their inventory from fire, theft, vandalism and other damage. Reference (d) contains a sample concessionaire contract.

i. Bingo. (See paragraph 218.)

j. Amusement Machines. The local commanding officer shall have the option to decide whether the local NEX or MWR activity (or both) should handle amusement machine operations.

k. Slot Machines Outside the U.S. Provide and operate military service-owned slot machines on club premises outside the U.S. as authorized by CHNAVPERS.

l. Art Auctions. Clubs must ensure that concessionaires have proper insurance to protect their inventory from fire, theft, vandalism and other damage.

m. Fashion Shows. Fashion shows shall be consistent with entertainment standards addressed in paragraph 214. Clubs must ensure that concessionaires have proper insurance to protect their inventory from fire, theft, vandalism and other damage.

n. Cover Charges. Clubs may establish a cover charge for entertainment or other special programs and services.

o. Cable and Satellite TV Reception. The reception of cable and satellite TV is authorized in clubs in accordance with the restrictions addressed in paragraph 216 of this instruction.

p. Enlisted Dining Functions. A memorandum of understanding (MOU) may be established between MWR and the command to operate or provide essential dining facilities or functions for enlisted service members. See paragraph 225 and appendix F for sample MOU and Operations Guide.

212. Unauthorized Activities and Services. The following activities and programs are NOT authorized in clubs:

a. Prime Cost Functions. Prime cost functions (i.e., cost of goods plus cost of labor) are not authorized in Navy clubs.

b. Sale of packaged distilled spirits or wines intended for off-premise consumption.

c. Introduction of food and/or beverages into the club. The introduction of food and/or beverages into the club by any person or organization except for wedding and other ceremonial cakes is prohibited. A charge for set-up, service and clean-up may be required for ceremonial cakes.

d. Activities that violate federal laws or regulations, or international treaties or agreements.

e. Sale of arms or ammunition.

f. Chit books. Sale or redemption of chit books for products sold in the club is prohibited.

g. Award of coupons for reduced prices on alcoholic beverages.

h. Commodity Concession Activities. (See subparagraph 21lh for exceptions.)

i. Honor Bars. Honor bars are defined as unmanned facilities where patrons prepare, mix and serve their own beverages from club stock or inventory. Payment is made by depositing cash or prepaid chits in a register or other receptacle or by signing or initialing a chit or roster acknowledging monies due. As an exception, clubs may manage or support in-room honor bars in bachelor or VIP quarters (reference (c)).

j. Cooperative Bars. Cooperative bars are defined as unmanned facilities where patrons prepare, mix and serve their own beverages from patron's owned stock/inventory, utilizing club facilities for storage and preparation. No sales or records are generated.

k. Hospitality Suites. NAF funds may not be used to operate/sponsor hospitality suites. NAF funds may be used to initially purchase food, beverages and supplies; however, all costs must be recouped from participants.

l. Gambling Activities and Storage of Paraphernalia. In accordance with reference (g), poker, craps, roulette, punch boards, raffles, lotteries (including games that involve "instant bingo" or "tab bingo" tickets) and similar games are not permitted to be held in a club. Any exceptions must be approved by the Secretary of the Navy (SECNAV). Such an exception can be granted for Navy Relief. Paraphernalia for gambling activities shall not be stored in a club. Dice cups or cards may be furnished at the bar. No gambling activities are permitted between club employees and/or patrons.

m. Display of Merchandise. Display of clothing, furs, silver, china, crystal or other merchandise by any commercial concern or other group or individual is prohibited except as authorized in paragraph 211 of this instruction.

n. Sale of Bulk/Carton Tobacco Products. Sales are prohibited except where there is no NEX facility.

o. Barber Shops, Laundry, and Dry Cleaning Agencies Located in Clubs. Unless operated by the NEX, such services are prohibited.

p. Vending Machines. Vending machines shall be operated by the NEX unless otherwise authorized by CHNAVPERS. The commanding officer is authorized to direct that portion of the vending machine profits to the particular club in which it was earned.

q. Showing of Movies. The exhibition of entertainment movies other than those provided by the Navy Motion Picture Service, regardless of format (i.e., film, videotape and videodisc) is prohibited in clubs, except as described in paragraph 215 of this instruction.

r. Automated Teller Machines (ATMs). Reference (nn) prohibits DoD activities from engaging in retail banking operations. Operation and maintenance of ATMs are the responsibility of financial institution(s) authorized to provide on-base retail banking services. Proposals/requests to install ATM equipment in an MWR club facility will be done in accordance with procedures contained in reference (oo).

SECTION C. OTHER OPERATIONS213. Foodservice

a. Purpose. One of the major purposes of the club is to provide social foodservice in a relaxed atmosphere.

b. Menu Planning

(1) The club manager is responsible for developing nutritionally sound menus which reflect the patron's desires. The menu usually should offer:

(a) Foods representing the image and desired atmosphere of the club.

(b) Foods representative of the geographical location of the club and of the ethnic groups participating in the club.

(c) Children's portions and/or smaller size portions.

(d) A choice of foods based on assessment of patrons desires including healthy cuisine alternatives.

c. Training. Club managers are responsible for providing on-going documented training to all club employees. See subparagraph 101g (11) and paragraph 514 of this instruction. BUPERS can provide assistance when requested. Field representatives are also available to provide on-site management assistance.

d. Quality assurance. Quality assurance of items prepared and served is the overall responsibility of management. A sound menu plan requires standard tested recipes. Management should test food items before serving and during a meal period to assure quality control. Quality assurance means making certain that food items are prepared and served according to the standards set by management.

214. Entertainment

a. Standards. Entertainment offered in a Navy club, whether contracted directly by club management or privately booked by an authorized patron, shall be consistent in both presentation and content with Navy goals of promoting equality, personal dignity, and integrity.

(1) Entertainment at a Navy club shall be suitable for a mixed community audience. Entertainment with potential to embarrass

any Navy Sailor or any other customer of the U.S. Navy is not permitted.

(2) Navy clubs shall not book, present, or permit others to use or rent Navy club space for an exhibit, performance, party, or contest that is likely to result in sexually-oriented, exploitative, or demeaning events. The likely result of proposed programming shall be assessed by examining the proposed name, theme, publicity, costume, age restriction, appearance, content, and public reputation of the artist, performer, or speaker. Also prohibited at Navy clubs are meetings, performances, speeches, or exhibits whose theme, presentation, or content is racially or sexually offensive, demeaning, or provoking.

(3) Examples of offensive, exploitative, or demeaning events which are prohibited in Navy clubs because of their adverse impact on good order, discipline, and the health, welfare, and morale of all hands include:

- (a) Wet t-shirt or wet shorts contests;
- (b) Erotic dancing or strip-tease performances, including nudity of any type -- topless or bottomless, male or female;
- (c) Pageants, contests, or performance where performers or patrons wear inappropriate articles of clothing such as bikinis, thongs, g-strings, or similar items;
- (d) Leg or torso shaving events;
- (e) Gelatin, mud, or similar "wrestling" events;
- (f) Profane, vulgar, or provoking speech, exhibit, songs or performance;
- (g) Any speech, performance, dance, song, or routine that includes material that is racially or ethnically offensive, racist, or sexist in content; or
- (h) "Stag," "smoker," or other private parties where the above-proscribed entertainment will be present in person, in previously-recorded format, or via simultaneous broadcast. This list is not all-inclusive and is provided for illustration only.

(4) Club managers shall approve entertainment for private parties and ensure compliance with these guidelines. Hosts or sponsors desiring to book functions at Navy clubs are responsible for monitoring the event. In addition, they shall be provided with a written copy of these guidelines prior to booking and shall agree, in

writing, to abide by them. Club managers shall terminate any event that violates these standards and report any violations to the commanding officer along with the name and address of the sponsor/host.

b. Contracts

(1) Unless the commanding officer has given written authorization for entertainment expenditures in excess of \$2500.00 per performance or over \$5000.00 per accounting month or designated someone other than the club manager to approve these requests, written prior approval from him or her is necessary. Contracting for entertainment shall be negotiated in accordance with the provisions of reference (d).

(2) The cost of entertainment is subject to negotiation between the manager and the entertainer or the entertainer's agent. Instead of the specific amount for the entertainment, an arrangement may be made for the entertainer to receive a nominal set fee and a percentage of the admissions charge to the patron, based on ticket count, satisfactory to both parties, or a percentage of the admissions charge without a nominal fee. Where a percentage of the admission fee is negotiated, the total charges will be collected by the club as business revenues. Terms for percentage arrangements will be clearly stated in the payment clause of the contract and controls shall be established to ensure that all admissions are strictly accounted for. Managers will, whenever possible, get an affirmation from the entertainer or the entertainer's agent that the same type of performance on a similar night will not be sold to any other club at a lower price. An authorized club representative contracting for the entertainment shall sign the contract and prepare a document stating that the entertainment supplied satisfied the terms of the contract. This statement shall be part of the accounting office's authorization to pay for the contracted services.

(3) A pre-numbered entertainment contract is required. A sample contract is shown in Appendix C. The standard purchase orders shall not be used for contracting entertainment. The original and signed copies of the entertainment contract shall be distributed as follows:

- (a) Original to the entertainment group or leader.
- (b) Signed copies to:
 - 1. Contracting officer.
 - 2. Club manager.
 - 3. Club files.

4. Accounting office.

5. Private party sponsor (when required).

(4) When an entertainment contract requires a guarantee, an advance deposit may be made provided the entertainer agrees to post an appearance bond.

(5) Military service band members performing in their off-duty hours will be considered as civilian entertainers, and the contract provisions will apply.

(6) Use of MWR funds to defray or assist in defraying the cost of entertainment is authorized when all clubs are afforded equitable funding consideration.

c. DoD Armed Forces Professional Entertainment Program. The Armed Forces Professional Entertainment Office (AFPEO) was established by DoD to provide a continuing program of scheduled live entertainment to Armed Forces personnel overseas. Military installations in remote and isolated areas and fleet units overseas are given priority for such entertainment. Actual operation and administration of the program is the responsibility of the AFPEO, which is under the executive agency of the Army.

215. Copyrighted Sound and Video Recordings

a. Military clubs are considered public places for the purpose of using sound and video recordings. Licensed public performance of copyrighted sound or video recordings is authorized in the clubs. The distributor providing the recording must provide the club with a written statement that a license is held from copyright holders for exhibition in public facilities.

b. Navy policy outlined in reference (k) does not condone, facilitate, or permit unlicensed public performance or unlawful reproduction for private or personal use of copyrighted sound or video recordings, using government appropriated or NAF owned or leased equipment or facilities. The rights of copyright owners are observed by establishing specific guidelines for the use of copyrighted works. Permission to use their materials without fee may be requested from the copyright owners.

c. In accordance with reference (1), the Navy Motion Picture Service is the only authorized source for motion pictures (either film or videotape format) shown in public settings at Navy activities. Failure to comply with the above regulation may place the Navy in violation of federal copyright laws and existing contractual agreements between the Navy and the movie distributors.

216. Cable and Satellite Television (TV) Reception

a. Cable TV. The Navy Broadcasting Service (NAVBCSTSVC) is responsible for policy for cable TV and must be involved in franchise agreement review and approval. The address is contained in the Standard Navy Distribution List. NAVBCSTSVC provides a consultation service to commands interested in cable TV. NAF funds must be used to pay the connection fee and service charges in a club facility. The use of APF funds for installation of service is prohibited.

b. Satellite Reception. As with cable TV, NAVBCSTSVC is the authority and focal point in the Navy for satellite reception policy (i.e., satellite dishes). A NAF activity shall not establish an earth/satellite dish system without establishing program provider service agreements. Commands should consult with NAVBCSTSVC to receive satellite services and negotiate agreements.

217. Singles Events. Since clubs are intended to foster camaraderie and friendship in a relaxed atmosphere they must provide services and programs to all personnel. With this in mind, clubs should plan frequent singles events. Local commands are encouraged to invite selected individuals or groups without escorts to attend these singles events.

218. Bingo

a. Bingo is prohibited on all naval shore activities except when authorized and operated by and for a Navy MWR activity. Special groups (e.g., Navy League, Parent-Teacher Associations, advisory groups, spouse clubs, etc.), are not authorized to sponsor or operate bingo.

b. Playing of Bingo. Bingo is authorized in Navy clubs on naval installations within the U.S., its territories and possessions, which are fully ceded. It is also authorized on those installations which are not fully ceded where the playing of these games is not prohibited by the state concerned. On overseas naval installations, outside the U.S., its territories and possessions, the playing of bingo in Navy clubs is subject to regulations of the area commander concerned.

c. Regulations. The playing of bingo is subject to the following regulations:

(1) Participation in this activity will be limited to authorized patrons and their accompanying guests.

(2) MWR directors, club coordinators, food and beverage directors, activity managers, supervisors, or employees of the activity (i.e., the facility hosting bingo) sponsoring bingo and their

immediate family members may not take part in the bingo game or accept prizes. Commanders may impose additional local restrictions regarding those eligible to play bingo. Employees of one MWR activity may participate in bingo sponsored by the other activity if otherwise eligible. This also applies to volunteers serving as bingo callers and monitors.

(3) Sponsors shall sign in all guests prior to the purchase of bingo cards.

(4) Bingo prizes may be cash or merchandise.

(5) In the U.S., its territories and possessions, on installations fully ceded, and on bases not fully ceded where bingo is not prohibited by host state/territory/ possession law, the cash/merchandise prizes or a combination thereof may not exceed 90 percent of annual bingo revenues.

(6) The commanding officer may establish prize amounts limits/standard prize amounts for all bingo games as appropriate. Commanding officers must be sensitive to local community perception and use proper judgment regarding the type and size of bingo prizes awarded.

(7) When there is more than one winner of a prize, the cash will be divided equally among the winners. Unless otherwise agreed to by the individuals concerned, merchandise prizes will be awarded to the person who wins a coin toss.

(8) Bingo winners will sign their names and personal identification data on the bingo activity sheet before receiving prizes. If the winner is a sponsored guest, the sponsor's name shall also be recorded.

(9) Playing of bingo may be included in advertisements, but shall not be mailed out through the U.S. Postal Service in any form.

(10) Cash received from bingo card sales will be controlled by using visual or kickout tape cash registers along with colored, double-roll, theater-type tickets, or prenumbered, two-part guest checks. All bingo cards (regular, throw-away, or punch-out) will be prenumbered and any missing cards will be reported for MWR management attention.

(11) When theater-type tickets are used, the bingo cashier will give the purchaser a ticket (for the door prize) for each card purchased. One ticket color will represent cards selling for one price. When cards are sold in multiples at a special price, another color of ticket will be chosen and a ticket given for each card sold. The cashier will retain one ticket for control purposes and for use in

door prize drawings. Bingo cards must be date stamped or an equivalent method used to verify date of purchase. These procedures will apply when bingo cards are not issued in numerical order.

219. Marketing. The process of planning and delivering programs and services that will satisfy patron needs and interests is the essence of club marketing.

a. Patron Input. Management shall have in place means to ask for input as to patron needs and interests. Locally developed patron surveys, focus groups, and advisory group discussions are all valuable means of getting information on patron preferences.

b. Marketing Plan. Adopting a marketing approach can make a significant difference in patron satisfaction, community awareness of facilities and services and the financial viability of club operations. Information on development of marketing plans distributed by the BUPERS MWR Division (Pers-65) as a supplement to the assessment tools will help local commands in developing marketing strategies and action plans.

220. Advertising. Club activities must communicate their presence and availability of goods and services they offer to as many potential patrons as they can. However, such communication must be restricted, as far as possible, to authorized patrons. It must not reflect unfavorably on the activities, the Navy, DoD, or the Federal Government. Navy policy authorizes such communication by prudent advertising in selected media.

a. Definition. Advertising is providing conspicuous notice of information to the public through private and public media. Media is defined as any way to convey an advertising message. It includes newspapers, magazines, trade and professional journals, special printed matter, bulletins, circulars, fliers, posters, signs, radio, television, and other promotional devices, such as decals, articles of clothing, table tents, or activity calendars.

b. Paid Advertising.

(1) As authorized in reference (m), clubs may purchase advertising in Armed Forces newspapers and civilian enterprise publications produced primarily for distribution on a military reservation or to authorized patrons.

(2) Information may be included about sales of goods and services, including brand names and item prices for other than alcoholic beverages. Entertainment and social events advertising may specify names of feature acts or talents and admission prices or cover charges.

c. News Stories and Announcements.

(1) Armed Forces newspapers, civilian enterprise publications and Armed Forces Radio and Television Service may carry unpaid noncommercial news stories, announcements and listings, of services offered by clubs to command activity personnel. It is DoD editorial policy that these media routinely include the name of commercial sponsors with other story facts.

(2) Clubs may contribute articles and stories for publication as unpaid information items in base newspapers, plan of the day, or other media that may or may not be intended primarily for distribution on a military installation to publicize recreational events and other activities and programs of general interest to authorized patrons. Coordination with the public affairs office is required when such items are released to other than internal media.

d. Bulletins Produced by NAFI Funds.

(1) Clubs may produce or prepare bulletins for local dissemination directly to authorized patrons.

(2) Such bulletins may not contain bar prices or material that implies government endorsement of a specific commercial product or service.

(3) All bulletins produced at club expense will be mailed at club NAF expense. A bulk mail permit is recommended. Reference (n) provides further guidance and instruction.

e. Bulletins Produced by a Commercial Publisher. Club bulletins that contain commercial advertising may be printed by a commercial publisher at no cost to the government or the NAFI. Such club bulletins are considered civilian-enterprise publications and, therefore, the provisions of references (m) and (o), and subparagraph 220 (d) above shall be observed. The authorization of civilian enterprise club bulletins is subject to determination by the commanding officer that their issuance will not conflict with the terms of any current agreement(s) between the command and any other civilian publishing firm.

f. Media Voluntarily Produced by Non-DoD Source. Voluntarily initiated media prepared by suppliers and other non-DoD sources that are primarily advertising devices are not authorized for distribution through official channels. When such media are placed in locations on DoD installations for personal pick-up, they must contain a disclaimer that they are not expressly or by implication endorsed, sponsored or paid by the Navy or the Federal Government. A disclaimer is not required for items provided as promotional merchandise.

g. Promotional Merchandise. Promotional merchandise is merchandise offered to advertise an activity, product, service, or event as a bonus or as an inducement to buy. Examples of promotional merchandise are ball caps, coffee mugs, or T-shirts, with an intrinsic items value of less than \$20.00 retail. Clubs may purchase, prepare, or produce promotional merchandise for distribution to authorized patrons. Clubs may also accept promotional merchandise, except tobacco and alcohol products, whose minimal intrinsic value is less than \$20.00 retail, voluntarily initiated and prepared by suppliers for use by or distribution to authorized patrons. Activities may not solicit funds from suppliers or other non-DoD sources to offset the cost of promotional merchandise, nor may they request such suppliers or sources to prepare or provide special items at their expense.

h. Coupon Redemption and Other Commercial Sponsorship Promotional Material. Clubs may use point of sale displays and other promotional material, such as reduced price and special offer coupons, and may participate in national and local coupon redemption programs available to the public or to the military community. Participation in national or local coupon redemption programs will be evaluated on a case-by-case basis by the activity manager. Clubs may not participate in the use of coupons for the purchase of alcoholic beverages at reduced prices.

i. Disclaimers. Advertising purchased by suppliers or other non-DoD sources in media not prepared or produced by NAFIs that relates to club activities, must include a disclaimer stating that the Navy does not endorse any services or products advertised in the media. A disclaimer is not required for items provided as premiums.

221. Promotions. Promotions are incentive oriented programs designed to increase sales or services of the club or the agency sponsoring the promotion. Promotions may include programs of reduced prices for membership or benefits thereof. The provisions of references (g), (h) and (p) shall be adhered to.

a. Outside Promotions. Promotions designed to increase a product or service offered by the agency or vendor may be conducted in the clubs providing they meet the following provisions:

(1) Direct costs of the promotion will be borne by the promotion sponsor.

(2) Any special event conducted in coincidence with the promotion will be made available to all eligible patrons.

(3) All arrangements concerning the promotion will be via written correspondence. Sponsors seeking authority to conduct

promotions must submit a written request, (See Appendix D, "Request For Permission to Sponsor a Promotional Activity") to the club in advance of the event. Any difference between the regular selling price and the promotional selling price will be reimbursed to the club by a check from the sponsor.

(4) While clubs are authorized to accept promotional items of minimal value such as clocks, lights, signs, oversized bottles and decanters, acceptance of such items should be held to a minimum consistent with the decor of the facility and good taste. To prevent building a large inventory of such items, the manager is authorized to dispose of these items as door prizes. Disposal through a drawing is authorized provided all authorized club patrons are eligible for the drawing at no cost to them and that employees of the club and their dependents are not eligible to win any of the items.

b. Inside Promotions. Promotions conducted by the club to generate patron response and sales are permissible and encouraged, provided all patrons of the club are eligible and invited to participate. Expenses generated in the promotions are proper charges to advertising and promotions. Inventory and other documentation must be maintained to adequately account for all expenditures. Inside promotions may include, but are not limited to the following:

(1) Hors d'oeuvres, canapes or snacks at happy hour or similar functions.

(2) Reduced food/beverage prices at happy hour.
(Authorized, subparagraph 408c).

(3) Coffee and tea breaks.

(4) Free dinners or other consumables presented to authorized patrons on birthdays or special occasions.

(5) Souvenirs or mementos given on special occasions
(e.g., Independence Day, Navy Day, Club Anniversary).

(6) Tournaments or contests with prizes to winners.

(7) Coupon distribution for promotional dinners, food or merchandise free or at a reduced price.

(8) Free soft drinks and reduced meal coupons as part of the "Designated Driver Program."

(9) Door prizes at special events.

(10) Distilled spirits products will not be provided as prizes, gifts, etc., or with free dinners.

c. Management Prerogatives. In keeping with private industry business practices, club managers or designated representatives are permitted to extend complimentary food and beverage items to individually selected patrons when, in the view of management, this act of goodwill promotes the club and contributes to better customer relations and satisfaction (e.g., recognition of loyal patronage or support, remedy of a complaint, etc.). Consideration will not be extended to private or special interest groups and is apart from established outside or inside promotions. Management shall ensure that proper safeguards are in place to control expenditures. A written record of all transactions will be maintained, i.e., signed guest check or memorandum, and such expenditures will be charged to the advertising and promotion account.

d. Approval of Other Events. Commercial sponsorships and promotional events not meeting the previously described requirements must be approved by CHNAVPERS.

222. Service Charge. A service charge is a mandatory charge approved by the commanding officer and added to the patron's bill or party contract. The patron must have prior knowledge of the policy. Distribution of service charges to employees shall follow reference (e).

223. Snack Bars.

a. Services Provided. Snack bars may handle the sale of prepared foods, food products, soft drinks and malt beverages. The sale of impulse items such as candy, gum, nuts and other snack items is permitted. Following the provisions of reference (c), sale and consumption of all alcoholic beverages by the drink is authorized in golf course club houses and bowling center lounges subject to approval by the commanding officer. Malt beverages only are authorized in bowling center snack bars subject to approval by the commanding officer.

b. General Operating Instructions. Snack bars should be financially self-sustaining and meet all established financial and operating standards.

(1) Management Responsibility. In addition to the overall supervision of operations, management is specifically responsible for the following:

- Attainment of planned operating results;
- Establishment of appropriate operating hours;
- General appearance and sanitation of operating spaces;

- Indoctrination and training of employees;
- Establishment and maintenance of acceptable standards of food and beverage quality and service;
- Safeguarding departmental equipment, funds and inventory.
- Compliance with financial and operating standards (Appendix A).

(2) Personnel

(a) A schedule of working hours and duties should be posted in a convenient location.

(b) Training

(1) On-the-Job. Management is responsible for the training of all employees. One or two persons will receive training which should qualify them to replace the manager in the event of his or her absence. Employees should be trained in all phases of the operation (including required alcohol server training in snack bars where alcohol is served), rather than specialization in one particular duty.

(2) Food Sanitation. All employees, including supervisory personnel, are required to have classroom training in food sanitation. This training will be obtained through programs and periodic refresher courses arranged by the various district and station medical officers. The manager will make the necessary arrangements with the medical officer and will arrange working schedules so that all personnel can attend classes. Employees should be reimbursed for any travel expenses incurred in attending such training courses.

(c) All foodservice personnel must be examined by the staff medical officer and found free from communicable disease, and otherwise acceptable as foodservice workers, before they are assigned to such duty.

c. Prices. Prices should be determined by management and should be sufficient to defray the direct cost of merchandise, services, operating expenses, and an amount determined by management for recapitalization connected with each sale made by the activity.

d. Menus. Emphasis should be placed on quick service items such as pizza, Mexican, Chinese, hamburgers, cheeseburgers, fried chicken, fish, shrimp, french fried potatoes, frankfurters, salads, etc.

e. Safety Requirements. Employees will be familiar with the station fire bill and will comply with all regulations promulgated by the fire marshal. See paragraphs 520 and 521 of this instruction.

f. Sanitary and Storage Requirements

(a) The management will cooperate fully with the station medical officer in the maintenance of high sanitary standards. Management will abide by the provisions of reference (q).

(b) Sanitation inspections of snack bar facilities will be carried out by appropriate medical department personnel per provisions of reference (g).

g. Procurement. Management shall procure food products, such as dairy products, pastry, bread and produce from approved sources. See paragraph 510e.

224. Flag Messes Ashore.

a. Purpose. Flag Messes are established to permit operational commanders ashore to provide for working meals, secure space for mission related meetings and to meet necessary protocol requirements. Per reference (r), Flag Messes are included in the BUPERS club system for oversight and administrative purposes only. Flag Messes are not considered MWR revenue generating activities.

b. Establishment. The establishment of a Flag Mess requires the prior approval of CHNAVPERS. Requests for the establishment of a Flag Mess shall be forwarded via the chain of command. A copy of the authorization letter shall be retained by the mess in permanent files, readily available for review by appropriate authorities.

c. Financial Reporting Requirements. Commanders maintaining a Flag Mess must prepare an annual fiscal year end financial statement of the mess. The Decentralized Mess Financial Statement form, NAVPERS 1746/14 (Rev. 2-87), will be used for this purpose (see Appendix E for form and guidelines for completion). The financial statement shall include all income and expenses of the Flag Mess for the entire fiscal year (1 October - 30 September). The financial statement for a Flag Mess established during the fiscal year shall report data as of the date of actual establishment through 30 September. The original of the statement should be submitted directly to BUPERS (Pers-652), by 15 October of each year. A certified copy shall be retained in the preparing activity's file for audit.

d. Disestablishment. Commanders shall prepare and submit a final financial statement upon disestablishment of the Flag Mess. The financial statement shall report data from the start of the fiscal year (1 October) through the date of actual disestablishment of the mess and shall be clearly marked "FINAL STATEMENT." The original of the statement shall be sent to BUPERS (Pers-652) within 15 days of disestablishment of the Flag Mess.

e. Forms. NAVPERS 1746/14 (Rev. 2-87), Decentralized Mess Financial Statement, may be obtained from the Fiscal Analysis Section, Financial Management Branch, MWR Division, BUPERS, Washington, DC.

225. Subsistence of Rations-In-Kind.

a. General. MWR activities are required to request chain-of-command approval prior to assuming Rations-In-Kind (RIK) service. BUPERS MWR Division (Pers-655) will provide procedural guidance and technical assistance in establishing the Memorandum of Understanding (MOU) between the local command and MWR. Sample MOU and guidelines for RIK operations are contained in Appendix F.

b. Regulations. Rations-In-Kind operations are subject to the following regulations:

(1) MWR must consider the success of its current food and beverage operation, and the hiring of professional personnel before assuming RIK service.

(2) Final approval from Echelon II is required prior to the final signatures of the local command and MWR.

(3) Supplementing the cost of providing Rations-In-Kind (RIK) with MWR funds is not authorized.

CHAPTER 3

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CHAPTER 3

FINANCIAL MANAGEMENT

SECTION A. POLICIES AND PROCEDURES

301. General. MWR Activities shall comply with policies and procedures defined in reference (e), the Recreation and Mess Central Accounting System (RAMCAS) User Handbook, and other policies and procedures issued by BUPERS as the designated program manager. Monies generated by or entrusted to an MWR Fund (MWRF) shall be properly and effectively used and accurately accounted for and safeguarded. NAFs are, in effect, trust funds generated by Navy personnel and their dependents to provide financial support for their activities. Adequate controls must be instituted to guard against the misuse of such funds.

302. Types of Accounting Systems. Local clubs, as part of the MWR Fund, operate under the system prescribed in the RAMCAS User Handbook.

303. Financial Planning and Budgets. Budgets are formal written statements of management's plans expressed in financial terms. The preparation and local use of the operating budget, capital expenditure budget, and annual appropriated fund budget are discussed in chapter II of reference (e). A standardized operating and capital expenditure budget will be prepared for each club as part of the MWRF budget operating under the RAMCAS for submission to BUPERS MWR Division. Budget submission instructions for the MWRF will be furnished annually by the BUPERS MWR Division. Budgets and financial goals must be approved by the commanding officer and submitted via the chain of command to BUPERS MWR Division (Pers-65) by 15 September of each year.

304. Sources of Funds. The sources of funds to the club consist of revenues from resale of food, bar, sundries and other resale departments; bingo, entertainment, dues, cover charges and slot machines where authorized; commissions from vending machines; various reimbursements for services and any grants and/or loans received.

305. Allocation of Expenses. The allocation of expenses between activities will be accomplished according to the criteria and procedures contained in the RAMCAS User Handbook.

306. Financial Standards and Pricing Policies

a. Profit Goals

(1) Clubs are expected to operate on a self-sustaining basis to the extent of meeting all costs required to be met from NAFs or which must be met from these funds because of the unavailability of APFs. These activities shall strive to cover their own costs plus a 5 percent net contribution to single fund overhead (if applicable) and club recapitalization needs, e.g., for the improvement of facilities, the establishment of reserves for contingencies. Sufficient funds must be generated to cover the 75 percent financing of reserves for foreign national employees' long-term retirement and severance allowances, financing of inventories and the promotion of local MWR programs and needs.

(2) See paragraph 324 for Financial Standards.

b. Operating Subsidy. It is not the Navy's policy to subsidize the operation of individual MWR activities. In those instances in which a club is failing to maintain self-sufficiency, Echelon II commands will closely review the circumstances and report to CHNAVPERS on proposed corrective action. Such a report will include comments on those circumstances beyond the control of the local command, alternative sources of services (other clubs and/or commercial alternatives), degree of competition from other food/beverage operations, and justification, if any, for the continued operation of the club.

c. Unwarranted Competition. In accordance with reference (a), the commanding officer or cognizant command authorities are expected to take positive and continuing action to limit unwarranted competition among food/beverage outlets on installations under their cognizance.

d. Pricing Policies. The selling price for goods and services shall be at least enough to defray the direct cost of merchandise, services and operating expenses connected with each sale made by the activity and to produce required overall gross and net profit margins (See paragraph 324 for Financial Standards). Except as authorized in paragraph 221 of this instruction, no merchandise may be given away or sold for less than cost. Funds shall not be used to finance official entertainment, free parties or reduced rate parties for any person or group. Consistent with the above, reduced bar (to include non-alcoholic beverages) and/or food prices for happy hours in which all patrons may participate, are authorized. Subparagraph 408c(3) of this instruction contains information on the pricing of alcoholic beverages

tied into foodservice or promotional endeavors. Subparagraph 512c(3) of this instruction contains information on the pricing of foreign goods in NAFIs located outside the U.S.

307. Physical Inventory Requirements. The following physical inventory requirements shall apply to clubs:

a. Fixed Assets: Annually.

b. Food and Beverage Resale: Monthly (Prepaid & Resale). The first-in-first-out (FIFO) method of inventory valuation is prescribed. For activities maintaining computerized inventory records, a weighted average method of inventory is authorized.

c. All Other Resale and Prepaid Items: Quarterly.

308. Internal Control Procedures. The commanding officer will ensure that adequate internal control procedures are in place to protect the cash and other assets of the NAFIs under his or her cognizance. As a minimum, these controls should cover cash handling, property accountability, inventory control, accounts receivable, procurement, disbursement, banking and payroll. Checklists for internal controls are contained in reference (s). Additional internal control references include chapters III and V of reference (e) and the RAMCAS User Handbook.

a. Cost Controls. Cost controls are required as prescribed in appendix (A).

b. Keys. To pinpoint responsibility, only one person may have a key to any storeroom or bar storage space. In an emergency the activity manager may open the storeroom or space in the presence of two witnesses.

c. Cash Handling. MWRFs are instrumentalities of the U.S. Government. The same care shall be exercised in the handling of NAFs as in the handling of APFs. Procedures for handling cash are outlined in chapter V of reference (e) and the RAMCAS User Handbook. Petty cash and change funds, authorized in writing by the commanding officer, may be maintained in minimal amounts consistent with need and administered per paragraphs 511-513 of reference (e) and the RAMCAS User Handbook. Every person responsible for funds should be provided with a safe or a separate locked compartment in a safe. The responsible individuals should not divulge, or entrust in any manner, the combination to any other person. In the absence of the employee, emergency entry to a safe may be accomplished by a designated person, who shall open the safe in the presence of two witnesses. After entry, the safe shall be locked and sealed in the presence of two witnesses. The record of the combination of the safe shall be placed in a sealed envelope, signed by the person who opened the safe and by the two witnesses, and returned to its usual place for safekeeping. The combination of the safe shall be changed upon return of the employee. A record of the combination of the safe may be sealed in an

envelope, signed, and placed in the safe of a person designated by the commanding officer. Safe combinations shall be changed whenever a new employee takes over or whenever directed by the commanding officer. A night depository type safe (with slot or chute) is considered practical.

309. Credit Sales. The use of nationwide credit cards is authorized in all clubs. When selecting a particular credit card system, bids shall be solicited from responsible, nationally recognized firms.

(a) Ordinarily, charges shall be collected at the time of the function. If credit is extended for private parties, the sponsor will be billed within 5 business days of its conclusion and payment shall be collected within 30 calendar days. If accounts are not settled within the specified time frame, a late fee may be charged. This requirement should be highlighted on the contract.

(b) In-house charge accounts are authorized. Such charge accounts shall be due monthly. If not paid within 30 days, the individual's name and amount due shall be reported to the commanding officer, no further credit shall be extended, and a late payment charge may be assessed.

310. Donating and Loaning Funds. Funds shall not be donated or loaned to school funds, station charities, community funds, American Red Cross, Navy Relief Society or to any person, firm, group or organization, charitable or otherwise. The advancement of pay to employees is prohibited.

311. Funds for Employees Awards. Use of funds for employee awards/parties may be authorized under reference (t).

312. Fund Raising. Navy support of fund raising events or projects for a single cause, though the cause is a member of one of the federated, joint or authorized campaigns, or donates in part to one or several of the recognized campaigns, is not authorized by DoD.

313. Commingling. Subsidiary accounts should be maintained for the property and supplies of an individual activity within the NAFI. They shall not be commingled with others to preserve individual accountability.

314. Advance Deposits. NAFs shall not be used for advance deposits to guarantee payments for services, supplies, utilities, construction or maintenance work to be provided from Government sources. A NAFI purchase order will suffice. In situations where it makes good

business sense (e.g., entertainment contracts), advanced deposits for non-government sources may be issued with the approval of the MWR Director.

315. Check Cashing and Returned Checks

a. Ceilings. A ceiling of \$100 per person per day for personal checks drawn by or in favor of authorized patrons for cash may be established. Commanding officers have the option to set a check limit of less than \$100 when desirable, provided it is not discriminatory with respect to rank/grade.

b. Returned Checks

(1) The issuance of a check, knowing that it will not clear the bank because of insufficient funds or other reasons, is a form of larceny under both the Uniform Code of Military Justice and applicable civil codes.

(2) When a patron's check is returned to an activity for any reason, a charge may be levied to cover the processing costs. If the patron fails to respond promptly to efforts to collect the amount due, the commanding officer where the MWRF is located shall take action as required by reference (u). The MWRF may deny check cashing privileges to those individuals who have presented bad checks within the prior year or who are on the local NEX bad check list.

316. Retention and Disposal of Records

a. Retention. The following types of items shall be retained for a minimum period of 3 years:

(1) General correspondence, reports, minutes of meetings including advisory groups, inspection reports and other correspondence relating to administration, management and operation.

(2) Financial Records. All records relating to financial administration, including financial statements and reports, check books, journals, vouchers, balance sheets, and other books and records of accounts (excluding club sales tickets) may be destroyed when 3 years old. The bookkeeper's copy of meal sales tickets will be retained for 1 year or less if an audit of cash control procedures has occurred; the kitchen copies of meal sales tickets shall be filed numerically by the month and be retained for not longer than 3 months.

b. Disposal. The disposal of all general correspondence and financial records shall be per reference (v).

317. Taxes

a. Federal Occupational Taxes. Activities engaged in the sale of alcoholic beverages must pay the annual occupational tax for retail liquor dealers. One tax payment is required per NAFI. Multiple locations (e.g., clubs) within the NAFI are covered by the single payment. This tax is applicable within the U.S. only.

b. Excise taxes on Alcoholic Beverages and Tobacco Products

(1) Federal taxes paid indirectly:

(a) The federal excise taxes on alcoholic beverages and tobacco products must be paid by the person upon whom taxes are levied, although the articles or services may be furnished for the use of, or for the sale in, an MWRP facility.

(b) Exemptions from such taxes apply when goods or articles are sold for exportation from the U.S. For purposes of the manufacturer's excise taxes and the tax on cigars, cigarettes and cigarette papers and tubes, an exemption may be obtained where the sale by the manufacturer is for export to a foreign country or for shipment to Puerto Rico, the Virgin Islands, or to a possession of the U.S. However, in the case of distilled spirits, wines and beer, as provided by 26 CFR 252.11 (Internal Revenue Bulletin, 1965-2), shipments to Puerto Rico, the Virgin Islands, American Samoa, Guam, the Panama Canal Zone, Kingman's Reef, the Midway Islands, or Wake Island are treated as exportations as well as shipments to foreign countries (IRS Rev. Rul. 65-182, I.R.B. 1965-29, 14).

(2) State and local excise taxes:

(a) Alcoholic beverages are not subject to state and local excise taxes.

(b) Tobacco products free of state and local taxes may be sold in club facilities to authorized personnel under the restrictions in paragraph 211 of this instruction. Clubs pay an annual retail tax stamp as described in ATF P5107.2(11-75). All clubs must comply with the regulations outlined in ATF P5107.2(11-75). Copies are available without charge from Regional Directors of the Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury.

318. Accounting and Reports

a. Accounting

(1) Accounting for NAFs and property by activities operating under the Recreation and Mess Central Accounting System will follow the RAMCAS User Handbook and reference (e).

(2) Accounting for NAFs and property by activities not under the centralized accounting system will be in accordance with the

provision for small activities in chapter VIII, reference (e).

b. Financial Statements

(1) The official financial statements of activities operating under the centralized accounting system will be prepared by the BUPERS MWR Division (Pers-652) Recreation and Mess Central Accounting Section. These statements will be distributed to the MWRF, the commanding officer, ISIC, Echelon II commander, and BUPERS MWR Division on a monthly basis.

(2) The financial statements for those activities not operating under the centralized accounting system will be prepared by the custodian of the respective fund, (e.g., Flag Mess). Such statements should be prepared monthly. Year-end financial statements will be submitted to the BUPERS MWR Division on or before the 15th of October of each year.

319. Local Fiscal Oversight and Review

a. Fiscal Oversight and Review of Clubs. Commanding officers shall appoint either local command evaluation and review staff, internal audit offices, certified public accounting firms, an audit board consisting of collateral duty personnel, or perform management control reviews in accordance with references (s) and (w) to perform nonappropriated fund reviews of all of the clubs. For continuity purposes, professional civilian personnel with competency in the areas of review are desired. Local fiscal oversight and review will concentrate on segments of operations most vulnerable to fraud, waste and abuse per reference (s) and include: cash funds and receipts; bank deposits; sales; accounts receivable; procurement, receiving and accounts payable; cash disbursements; payroll; merchandise and consumable inventories; and fixed assets.

b. Annual Schedule. The senior internal auditor, head of the command evaluation and review staff, or head of the audit board should submit a schedule of nonappropriated fund reviews to the commanding officer for review and approval at least 30 days before the start of each new fiscal year. The schedule shall include a timetable for reviewing vulnerable segments of operations for each activity preferably on an annual basis, but no less frequently than triennially per the requirements specified in reference (s). Reviews should be scheduled more frequently when unsatisfactory conditions are found.

c. Internal Control Questionnaire. Commanding officers should ensure that internal audit, command evaluation and review and/or audit board staff complete an internal control questionnaire for each club to become part of the command's permanent file per reference (s).

Each internal control questionnaire should be updated annually. Each section of the questionnaire should be signed and dated by the responsible activity manager, and by the reviewer or auditor completing the section. The questionnaire serves as an excellent tool for management, especially between formal reviews.

d. Conduct of Fiscal Oversight Reviews. Each review may be conducted in stages (or sections) during the year or be completed in its entirety during a single session. Vulnerable segments of each activity should be reviewed annually and more frequently should unsatisfactory conditions exist.

e. Supervision. The senior reviewer or auditor (as well as the head of the audit board) is responsible for supervising the fiscal oversight review. Such supervision should include reviews of findings, tests performed, supporting documentation, referencing or policy and regulation sources. The resulting report must be reviewed to ensure work performed is of satisfactory quality and completeness. None of the members of an audit board assigned to audit a club may be connected with the management of these activities to assure objectivity and independence of the review.

f. Reports. Reports should be prepared for each activity reviewed and retained on file for follow up review by subsequent command inspectors, auditors, reviewers or evaluators. Sections of the reports should correspond to the applicable sections of reference (s). For reviews that are staged during the year, a separate report should be prepared for each section. Reports should be prepared according to guidance provided in reference (x). Club managers are responsible for responding in writing to the commanding officer on reported findings and recommendations. Follow-up with the club manager for compliance with reported recommendations is encouraged. The senior internal auditor head of the command evaluation and review office and/or head of the audit board is responsible for issuing a final report, including all material findings, recommendations, club managers' responses to each recommendation, and an opinion as to whether or not the senior auditor or reviewer is satisfied with the compliance with each recommendation.

g. Status Reports. The senior internal auditor, head of the command evaluation and review staff or the head of the audit board is responsible for reporting the status of reviews scheduled, in progress and completed versus the annual schedule to the commanding officer on at least a quarterly basis.

h. Records Retention. Completed internal control questionnaires, fiscal oversight and review reports, managers' responses, working papers, supporting documents, work schedules and status reports are to be retained for at least three years following

the completion of each review. Records should be available for review by higher authority, including the Naval Audit Service, Naval Criminal Investigative Service and BUPERS MWR Division and inspectors.

i. Training. Command evaluation and review staff, internal auditors and audit board members assigned to review clubs are encouraged to attend the fiscal oversight and internal controls review training course conducted by NMWRTU.

j. CPA Audits. If the command considers it desirable to use the services of certified public accountants (CPAs) to audit the club accounts, copies of all proposed and awarded contracts should be sent to the Auditor General of the Navy (AUDGENAV). The AUDGENAV has responsibility for evaluating contracts awarded by nonappropriated as well as appropriated funds for auditing services in the Navy in accordance with reference (y). An informational copy of all proposed and awarded contracts for auditing services should also be sent to the Chief of Naval Operations (CNO) (N09B34). CPA auditors shall not replace the local audit board responsibility, but shall provide expertise not otherwise available. As a minimum, CPA audits shall cover the areas prescribed by reference (s); however, the scope of the audits need not be limited to only those areas. Costs of CPA audits shall be borne by the local command.

320. Liquidation and Closing

a. Approval for Disestablishment. Approval from the BUPERS MWR Division (Pers-65) is required prior to disestablishing a BUPERS MWR Fund NAFI. Bases designated to be closed shall be provided additional guidance via the BUPERS MWR Base Closure Guidebook.

b. Disestablishment. The commanding officer is the individual responsible for insuring an orderly and proper disestablishment process. Assets supporting NAF activities shall be used judiciously so that these resources are available for future use in support of Navy-wide requirements. Imprudent expenditures, designed to reduce funds and other assets to a zero balance prior to disestablishment, shall not be allowed to occur. Command authorities shall avoid extravagant expenditures and dissipation of assets of NAF activities being disestablished, and shall ensure proper redistribution of equipment. The following procedures are intended to prevent the occurrence of claims and adjustments after disestablishment of NAF activities. These procedures apply to Echelon II commanders, immediate superiors in command and commanding officers. The following actions are required:

(1) Follow the liquidation and closing steps outlined in paragraph 310 of reference (e).

(2) Between the authorization and the closing, inventories of consumables, such as food, beverages and operating supplies need careful monitoring through analysis of sales in order to be in the position where excess stocks can be readily sold. General instructions for disposition of food, beverages, tobacco products, operating supplies, etc., follow:

(a) Return to the vendor for credit, if possible.

(b) Sell to another activity at cost.

(c) Distilled spirits, wines and beer should be returned to the package store or to the dealer from whom purchased (or to successor of the vendor's business or line of merchandise) for refund [26 U.S. Code 5113 (c)(3)]; or the stock may be sold to another activity.

(3) Dispose of property and equipment as described in paragraph 321 of this instruction.

(4) Cancel all outstanding purchase orders. Re-route outstanding purchase orders that cannot be cancelled to other activities, as directed by Echelon II command or ISIC.

(5) Notify all creditors, past and present, to insure that no liabilities exist. Liquidate any outstanding payables. If obligations cannot be liquidated before disestablishment, creditors should be instructed to forward claims to BUPERS MWR Division (Pers-65).

(6) Collect all accounts receivable, or charge off to operating expenses those found uncollectible, particularly old receivables that have been outstanding for 6 months or more.

(7) Obtain settlement of all other receivables, including insurance claims owed to the club.

(8) Insure that all employee benefits are paid and other entitlements are administered per references (e) and (t), including:

(a) If applicable, determine the actual liability to foreign national employees for foreign national severance and bonus pay, and in accordance with reference (z) pay off employees as they are released.

(b) Pay final Withholding Tax, Workers' Compensation Insurance and Social Security payments and furnish employees with statements of earnings and deductions.

(c) Insure that all employees, who are covered by the employees' insurance program, exercise their options under the terms of the insurance agreement.

(9) Perform a final audit of the records of the activity.

(10) Send all financial records for the last 3 years, and related correspondence properly filed, to the nearest Federal Records Center.

c. Final Liquidation Procedures

(1) A letter shall be sent to the BUPERS MWR Division (Pers-65), via official channels, stating the location of the Federal Records Center where financial records and related correspondence are stored. State specifically that all steps in the liquidation procedure have been taken and that no outstanding obligations or claims exist against the activity (unless otherwise noted). If outstanding claims still exist, advise of the name(s) of the creditor(s), amount of claim(s) and reason why claim(s) could not be liquidated prior to disestablishment. Include inventory of NAFI-owned equipment disposed of per instructions from the Echelon II command, including selling prices, and names and addresses of present owners. List name(s), address(es) and periods of incumbency of the club manager during the preceding 2 years. The following enclosures shall be submitted from those activities not operating under the Centralized Accounting System:

(a) Audited copy of final financial statement.

(b) Check or postal money order payable to the Chief of Naval Personnel, for the remaining NAF funds, taking into consideration outstanding checks.

(2) Other than those activities operating under the Centralized Accounting System, advise the bank where NAF funds are on deposit, in writing, to forward the final bank statement and any bank balance (made payable to the Chief of Naval Personnel) remaining 2 months after disestablishment of the fund to BUPERS MWR Division (Pers-65).

321. Disposition of Property. Property purchased with APF funds or NAF funds shall not be donated to any individual or non-naval organization. Property recorded on the Navy Plant Property Records, including NAF procured buildings and improvements, and all APF property, which have become unserviceable or excess to the needs of the activity, will be returned to the appropriate accountable officer for disposition following existing regulations.

a. Excess property disposition:

(1) Excess activity property which was purchased with NAFs may be used as a trade-in for purchase of like property, or be made available for purchase by other clubs within the immediate area,

providing competitive sealed bid procedures are followed. In the event trade-in or resell options are not used, the excess property should be reported to the cognizant Echelon II commander via the chain of command for redistribution as may be directed within the command. Should such redistribution not be required or feasible, the excess property may be used as trade-in on new equipment or sold to individuals through a sealed bid procedure. Such sales should be offered to authorized patrons before being offered to non-naval individuals or organizations. Not more than annually, excess property having an original cost of \$300 or less may be sold to authorized patrons in a "garage sale," at a predetermined fair market price. Any material which cannot be disposed of in this manner shall be reported to the Echelon II command.

(2) In affecting disposal of NAF vehicles, guidance may be obtained from the MWR Division, Facility Section (Pers-656D).

b. Unserviceable Property Disposition:

(1) Unserviceable activity property which was purchased with APF funds including vehicles shall be transferred to the supply department for disposition. Property procured with NAFs, including vehicles which have become unserviceable, shall be disposed of as follows:

(a) Property having an original cost of \$300 or more shall be transferred to the supply department for disposition.

(b) Property with an original cost under \$300 shall be destroyed. Two persons shall witness the disposal and verify the destruction in writing.

(c) All unserviceable MWR vehicles shall be transferred to the supply department for disposition.

(2) As stated in reference (aa), unless different percentages or amounts are certified by the Defense Logistics Agency as actual expenses to be credited to the appropriation code 97F3860.5191, 80 percent of the gross proceeds received from the sale of NAF property will be remitted to the NAF activity reporting the property for disposition and the remaining 20 percent will be credited to the appropriation code 97F3860.5191.

(3) Gross proceeds received from the sale of NAF property will be processed per reference (aa).

322. Payment for Official Command Functions. Charges for services provided shall be consistent with those charged all other patrons for comparable services. Charges shall be consistent with the mandatory club financial operating standards and current year MWR fund operating

budget (See paragraph 324 for financial standards). Charges for the use of space (e.g., meeting room charge) is authorized. Per reference (dd), the Navy Comptroller (NAVCOMPT) authorizes an APF entity (e.g., Public Works) to contract with a NAF activity for services, functions, or goods that the NAFI is in a unique position to provide (e.g., catering an official event). The following procedures are applicable when charging the command or command sponsored group for services rendered.

a. MWR prepares a standard private party contract for each meeting or event (see paragraph 208c for private party contract procedures). The contract shall be signed by both parties and shall specify the services required and indicate the command will be invoiced immediately following the event or,

b. MWR prepares a standard private party contract as discussed above but specifies the services will be provided over a specific period of time (e.g., quarterly). The command shall be billed for services provided during the specified period (similar to a blanket purchase agreement).

c. The base Comptroller or Supply Department will complete a DD 1155, DD 1149 or NAVCOMPT 2277 that authorizes APF payment to support the private party contract.

d. Upon completion of the contract (either per event or specified period), MWR shall invoice the command or command sponsored group. Payment will be by direct remittance made payable to the MWR Fund. Such payments are not considered APF support and should not be reported on the NO9B34 MWR budget exhibits. The income from these command-sponsored meetings or events should be accounted for the same as any other private party function.

SECTION B. OPERATING AND FINANCIAL STANDARDS

323. Purpose. The financial and operating standards detailed below establish minimum levels of performance to insure Navy clubs are fiscally and operationally sound. The financial standards govern major cost centers and activity profitability. Operating standards set levels of performance, facility maintenance, marketing procedures and customer satisfaction as indicators of a well-managed club operation.

324. Sound Financial Operations

a. Financial Performance. The following are minimum levels of financial performance which must be achieved by Navy clubs. These standards apply to each individual club on a base.

| | |
|----------------------------|-----------------------------------|
| Food Dept COGS | maximum 40 percent |
| Beverage Dept COGS | maximum 25 percent |
| Food Dept Direct Labor . . | maximum 40 percent |
| Beverage Dept direct Labor | maximum 25 percent |
| Food Dept Net Income . . . | minimum Break-Even-Point (BEP) |
| Activity Net Profit. . . . | minimum 5 percent |

b. Management determines the club's BEP and develops a plan to structure operations to achieve the BEP, plus the 5 percent net profit margin. This is accomplished as part of the annual budget process.

c. Management has a documented system to account for and pinpoint responsibility for all food and beverage inventory and all cash receipts. The system includes: retail accountability, guest checks, high-cost/sensitive item inventory control, use of receipts for patron cash payments.

d. Management establishes prices to achieve required minimum cost-of-goods (COGS) and profitability consistent with local competitive position and perceived value. COGS is defined as the total cost of the consumable items of a product sold to the patron. Management reviews prices at least semi-annually.

e. Management documents that a budget-to-actual variance analysis occurs monthly and makes operational adjustments when needed.

f. Management conducts an annual review of all services and programs to assess cost effectiveness. This review should include a

determination of monetary benefits that could be achieved if the club achieved the COGS standards for food and beverage operations (when not being met).

325. Satisfied Customers

a. Management conducts a locally developed survey annually (as a supplement to Navy Leisure Needs Assessment) to determine customer desires and needs. Documented adjustments are made to programs and services based on survey results.

b. If completed within the past year, the Leisure Needs Assessment results should show at least 50 percent of surveyed patrons rate club programs as "Good" or "Very Good."

c. Management is visible to patrons during all meal periods, special events, catered events and documents observations in a log.

326. Quality Products and Programs

a. Management has developed and uses local standardized, written recipes for every food and mixed beverage item served in the club.

b. Management has developed and uses written specifications for the purchase of food, beverage and related supplies.

c. Management has written standard operating procedures for services and programs.

d. Management updates/re-evaluates all recipes, specifications and procedures at least annually.

327. Professional Management and Staff

a. The club manager approves, in writing, the selection of all club staff.

b. Management maintains a documented program of organizational orientation for all employees.

c. The club manager has completed the Navy Club Management Course within the first year after employment and the Armed Forces Culinary Upgrade Program within the first two years of employment.

d. Management maintains a documented program of job-related training for all employees.

e. The club manager, and key management staff, must attend at least one outside professional development experience per year after completing the requirement in paragraph 327c above.

328. Attractive, Well-Maintained Facility

a. Management has a program of furniture, fixtures and equipment maintenance which results in all operational requirements being met. If operational requirements are jeopardized (i.e., club would be closed or unable to deliver committed services), action is taken, and documented, which will correct the deficiency within three days.

b. During any six month period, the club maintains an average environmental health inspection score of not less than 85 percent with no score below 75 percent. Management corrects all violations or initiates corrective action so that no violation appears on more than two consecutive reports.

c. Management conducts a daily walk-through inspection of each food and beverage facility and takes corrective action on all noted deficiencies. A check list will be used and maintained for this purpose.

d. Management maintains a written one year and five year plan to insure programmed fixed asset and minor property renewal and replacement.

329. Effective Marketing Program

a. Management has a written annual marketing plan in place. There is evidence that management uses the plan effectively and updates it at least quarterly.

b. Management conducts an annual self-inspection using the "Navy Club Operations Standards of Service Checklist" (Appendix B).

330. Waivers. Echelon II commanders are authorized to adjust/waive standards for an activity under their command. Request for waivers to published standards are made direct to Echelon II commanders through the chain of command. Echelon II commands will inform the BUPERS MWR Division (Pers-655) of any waivers granted.

CHAPTER 4

ALCOHOLIC BEVERAGE SERVICE

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CHAPTER 4

ALCOHOLIC BEVERAGE SERVICE

401. Definition. The term alcoholic beverages shall include malt beverages, wine and distilled spirits. The term does not include non-alcoholic beverages (i.e., non-alcoholic beers and wines).

402. Policy. Reference (c), provides for the introduction, possession and use of alcoholic beverages at naval activities. The availability of alcoholic beverages on naval installations will be comparable to the availability in the local community consistent with the overriding need for military readiness, discipline and community safety. In meeting this objective, the following considerations will govern the sale, purchase, possession and consumption of alcoholic beverages:

a. Alcohol Glamorization. Programs and practices relating to the sale, possession and consumption of alcoholic beverages on Navy installations glamorizing the use or abuse of alcoholic beverages are prohibited.

b. Alternatives. Club operations will offer a balance of programs and services to encourage positive life styles for patrons, their families and friends. These shall be in the form of quality food and beverage programs and recreational activities, e.g., entertainment, tournaments, amusements, contests, etc.

c. Package Store. Package stores are under the control of the NEX. Package stores operated by MWR will operate under all pertinent NEX package store regulations and instructions.

403. Cooperation with Regulatory Authorities. DoN will cooperate with all duly constituted regulatory officials (local, state and federal) assigned duties related to the control of alcoholic beverages. This policy of cooperation is not to be construed or represented as an admission of any legal obligation to submit to state or local control in any manner.

404. Compliance with Internal Revenue Service Regulations. All clubs retailing alcoholic beverages in the fifty United States and the District of Columbia are required to obey the Bureau of Alcohol, Tobacco, and Firearms Regulations applicable to retail dealers in alcoholic beverages. Management shall obtain and observe the provisions of the Bureau of Alcohol, Tobacco and Firearms Publication No. ATPF 5170.2 (8-89) "Liquor Laws and Regulations for Retailer Dealers."

405. Authorization for Sale. Subject to restrictions stated in paragraph 402 above, the following applies:

a. Outside the United States. Upon request and where there are no agreements to the contrary, the Chief of Naval Operations (CNO) or commanders designated by the CNO may authorize the sale and dispensing of alcoholic beverages for on-premise and/or off-premise consumption.

b. Within the United States. The Chief of Naval Operations (CNO) or commanders designated by the CNO may authorize within the United States (the fifty states and the District of Columbia) the sale and dispensing of:

(1) Malt beverages in Navy clubs for on-premise and/or off-premise consumption. Sale for off-premise consumption is authorized only when the NEX cannot provide the service. In order to ensure proper control for off-premise consumption, sales will be limited to six-pack containers and made over the bar only as bar sales. The selling price of malt beverages for off-premise consumption will be no less than the NEX price for the identical item. Clubs are also authorized to sell keg beer for off-premise consumption. Keg beer sales made by clubs will be counted as bar sales. All clubs engaged in the sale of malt beverages for off-premise consumption shall use the same procurement source when purchasing the same products.

(2) Other alcoholic beverages in Navy clubs limited to sales by the drink for on-premise consumption. Clubs may include wine or wine coolers for specialty sales, e.g., off-premise picnic baskets or tailgate party kits.

(3) Malt beverages, wine and distilled spirits by the drink in areas designated by the commanding officer for occasional command entertainment or organized social functions.

406. Minimum Age for Consuming Alcoholic Beverages

a. General. Per reference (c), the sale, purchase, possession, and consumption of alcoholic beverages on Naval installations shall conform to the drinking age limitations of the state or country in which the installation is located. In the absence of any local law, the minimum drinking age shall be 21 years for active duty military personnel.

b. Patron Identification. Positive systems of patron age identification shall be in place. Hand stamps, wrist bracelets,

and/or use of identification checkers at club entrances are encouraged, especially in clubs patronized by junior enlisted personnel.

407. Employment of Personnel in the Dispensing of Alcoholic Beverages

a. Age. No person shall be employed as a bartender or in any other capacity involving the selling or dispensing of alcoholic beverages when such employment in civilian establishments is prohibited by state law because of age.

b. Training to Prevent Alcohol Abuse. Club managers, bartenders, and wait staff serving alcoholic beverages shall receive annual training in preventing alcohol abuse. The only recognized source for this annual training requirement is the "Alcohol Server Intervention Training" course contracted through BUPERS. Such training shall include, as a minimum, understanding and recognizing intoxication, monitoring alcohol consumption, intervention techniques and identification of minors. Training programs and materials shall be provided by the BUPERS recognized training organizations. Certification of completion of training shall be included in each employee's personnel file.

408. Control Instructions

a. General. Commanding officers shall regulate the possession, sale and consumption of alcoholic beverages within their commands and shall issue detailed alcoholic beverage control instructions. The instruction will also include the number of happy hours that may be conducted in local clubs. The instruction shall conform to applicable local laws to the extent that such laws are consistent with federal law and policy and, in foreign countries, with international agreements. These instructions shall also conform to the following specific provisions:

(1) The minimum age of persons for the purchase, possession or consumption of alcoholic beverages on the installation shall be set forth per paragraph 406.

(2) Operating hours shall be established to provide reasonable service to patrons. Alcoholic beverages shall not, however, be made available in restaurant, snack bar, or lounge operations before noon time meal hours locally established, without prior approval of the ISIC. The establishment of operating hours

should be coordinated with all bases in the same geographic locale considering the policies described in subparagraphs 408b and c.

(3) Alcoholic beverage outlets, including vending machines (reference (c)), shall be kept to the minimum necessary to provide service for the authorized personnel.

(4) The sale of packaged distilled spirits is restricted to NEX.

b. MWR operating standards. Commanding officers shall ensure that MWR activities establish operating standards that do not glamorize or promote overindulgence of alcoholic beverages. Designated driver programs should be encouraged. Clubs shall promote functions that contribute to maintaining esprit de corps, morale, health and readiness. While recognizing that the choice of consuming alcoholic beverages is a matter of individual patron responsibility, moderation and responsible use shall be encouraged at all times. In support of the foregoing, the following restrictions pertain:

(1) Soft drinks, coffee, nonalcoholic beverages, and quality foodservice shall be available in all bar, lounge and other alcoholic beverage retail outlets engaged in alcoholic beverage sales by the drink. For this purpose, foodservice is defined as either on-premise dining room or snack bar service; or sandwiches, pizza and other quick-service items available in the bar/lounge, or delivered by an outside commercial source for consumption in the bar/lounge area only. Bar snack items (nuts, chips, etc.) are not considered "foodservice."

(2) Serving alcoholic beverages to anyone who is, in the opinion of the serving person or management, intoxicated is prohibited.

(3) Alcohol drinking contests are prohibited.

(4) Activities shall not engage in "last call" and other countdown techniques designed to promote last minute alcohol sales.

(5) The stacking of alcoholic drinks for individual patrons is prohibited.

c. Other areas for command action. Other areas prescribed for command actions to comply with the spirit and intent of alcoholic

beverage control instructions include, but are not limited, to the following:

(1) During happy hours the price of soft drinks shall be reduced by the same percentage as alcoholic drinks.

(2) Individuals who abuse alcoholic beverages shall be cautioned that privileges are subject to being revoked. Where there is evidence of abuse, privileges shall be revoked pending reinstatement by the commanding officer.

(3) Alcoholic beverages tied into foodservice, promotional endeavors, or group functions shall be priced separately from the other items of services so those who prefer not to drink are not required to subsidize the costs associated with serving alcoholic beverages. Show both the price of the function or meal, including the alcoholic beverage, and the price of the function or meal, without the alcoholic beverage. An exception may be permitted when the including of beer or wine may be an integral or traditional part of the event, e.g., champagne with brunch or beer with an "Oktoberfest." In such cases, show that the price includes a choice of the alcoholic beverage or a nonalcoholic beverage.

(4) At ship's parties, picnics, happy hours, "wetting down" parties, private parties held in clubs and similar occasions, moderation in consumption of alcoholic beverages shall be encouraged. The desires of those who choose not to indulge in alcoholic beverages shall be respected.

(5) The use of malt beverage vending machines shall be restricted to areas with constant supervision and only when the facility in which they are located is open.

(6) Key command personnel (commanding officer, command duty officer, command master chief, etc.) shall visit clubs to monitor compliance with alcoholic beverage service policies.

(7) Commands shall comply with reference (t), regarding employee discipline where violations of alcoholic beverage control or entertainment standards are not met.

409. Procurement of Alcoholic Beverages. The procurement of alcoholic beverages shall comply with paragraph 511 of this instruction.

CHAPTER 5

COMMON ADMINISTRATION AND MANAGEMENT FUNCTIONS

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CHAPTER 5

COMMON ADMINISTRATION AND MANAGEMENT FUNCTIONS

SECTION A. PLANNING AND EVALUATION OF CLUB PROGRAMS

501. Background and Purpose. Effective planning and evaluation are the key to any successful MWR program. The BUPERS MWR Division (Pers-65) has developed a comprehensive set of assessment tools to help local commands with program planning and evaluation. These tools are designed to provide local commands with the basic information needed to plan, market and operate cost-effective programs that are responsive to the expressed needs of the Navy community. These tools are designed to meet the MWR services annual and long range program planning, prioritization and evaluation requirements contained in reference (bb) and the minimum requirements established in this section of the instruction.

502. Community Assessment

a. General. Formulating a balanced, fiscally sound Five-Year Master Program Plan requires assessment of each installation's community needs, current programs, available resources and shortfalls. The plan should be updated annually to provide the most accurate information. Appendix B should be used more frequently to check on the quality of service being provided by the club.

b. Assessment Information. The plan, along with other locally available data, should provide management the necessary information to address the required factors below:

(1) Personnel needs, interests, preferences, satisfaction and patrons use of current programs and facilities.

(2) Base profile to include demographics and marketing data.

(3) Facility on-base inventory both current and programmed; size, capacity condition and adequacy; land use restrictions and environmental factors; hours of operation; fees and charges; and accessibility.

(4) Facility inventory of off-base services available in the surrounding area. Data for evaluating alternatives should include facility size, conditions, and capacity; availability during free or

desired use time; moral acceptability; fees and charges; adequacy of transportation, proximity and equal opportunity considerations. Off-base facilities include:

(a) Private, commercial and public recreational resources immediately adjacent to the installation or, in CONUS, within 10 miles or 30 minutes travel time from the main gate.

(b) Adjacent military bases within 10 miles or 30 minutes travel time from the main gate.

(5) Human resources inventory: Available or projected manpower (APF civilian, NAF civilian, and military personnel). Manpower resources must be sufficient to satisfy needs for effective operation and management within fiscal resource constraints.

(6) Fiscal resource inventory: The ability to fund the development of a program and to provide for operating costs with APFs, NAFs or other fund sources.

(7) Condition of service: The different physical and psychological demands that an assignment at differing locations and under differing conditions places upon personnel should be considered in evaluating program needs and in assigning program priorities.

SECTION B. PERSONNEL ADMINISTRATION

503. Policies, Regulations and Procedures. References (t) and (cc) state the policies, regulations and procedures for personnel administration in all MWR activities in the Navy.

504. Assignment of APF Personnel. Policy on the assignment of APF personnel, both military and civilian, to manage, operate and support MWR Activities is contained in references (dd) and (ee).

a. Assignment of Military Personnel in Clubs at Isolated and Remote Installations. In accordance with reference (dd), military personnel (regardless of rate) may be assigned to MWR Category A and B activities. At isolated and remote bases, Category C activities are considered Category B activities for funding authorization purposes. Therefore, military personnel at isolated and remote bases may be used in clubs or other food outlets operated by MWR.

b. Assignment of Military Personnel in Clubs at Non-Isolated and Remote Installations is Prohibited with the Following Exception: Mess Specialist (MS) may be assigned to work in MWR clubs or other food outlets at non-isolated and remote installations. However, the use of MS personnel in clubs shall be kept to the absolute minimum required to meet MS sea/shore rotation and training cycles. Examples of types of jobs allowed include management/supervisory positions, night managers, food preparers, chefs, storeroom clerk and bakers. MS personnel assigned to shore billets will be used to augment NAF civilian club staff, rather than to replace them. Commands must be sensitive to the proportion of MS personnel assigned to officer, CPO and enlisted clubs. There should not be a disproportionate number of MS personnel assigned to any particular type of club.

c. Assignment of APF Civilians. Civil service personnel may be utilized on permanent assignment or on an additional or collateral duty basis in Category A and B activities if they are performing managerial functions or if the position requires technical/professional qualifications. At isolated and remote bases, Category C activities are considered Category B activities for funding authorization purposes. Therefore, civil service personnel at isolated and remote bases may be used in the clubs.

d. APF Reporting Requirements. In accordance with reference (dd), military or civil service personnel who contribute more than 25 percent of their time to include permanent, temporary, part-time, and

collateral involvement with MWR activities during any fiscal quarter shall be accounted for and reported on the OP-34 document.

505. Employment of Off-Duty Military. Military personnel may be employed in a NAFI in their off-duty hours, in accordance with reference (t), if they work there voluntarily and are paid a salary. The employment of any off-duty military personnel will be consistent with the provisions of reference (t). MS personnel will not be detailed to command functions including recognized group functions or social affairs except when MS's volunteer during off-duty hours and are paid for their services. Any exception to the policy on the use of MS personnel will be submitted in the form of a waiver request to CHNAVPERS.

506. Managers and Assistant Managers

a. Duties. The duties of club managers are described in paragraph 101 of this instruction and in Section 300.4 of reference (e).

b. Required Training. The club manager should be a graduate of the BUPERS MWR Training Unit's club management course and the Armed Forces Culinary Upgrade Program (AFCUP). If not, the club manager shall be ordered to attend these courses at the earliest practicable date, preferably prior to or soon after his or her appointment, but not later than one year from the date of employment for the club management course and two years from the date of employment for the AFCUP course. Assistant club managers should also complete these courses. Customer service training is mandatory for all Navy MWR employees. The BUPERS-developed three hour training program is available at each MWRF. See paragraph 514 of this instruction for a description of various courses and training programs offered by the BUPERS MWR Division for personnel associated with clubs. As a minimum, club management personnel should enroll in at least one training course or job-related conference/workshop per year.

507. Nondiscrimination. No BUPERS MWR Fund will provide support for any organization which practices discrimination based on handicap, age, sex, race, color, religion or national origin. Support would include, but not be limited to the following:

a. Use of a facility or activity of DoN, including those financed by NAFs.

b. On-base distribution of tickets.

c. Any form of publicity or promotion.

508. Free Employee Meals. In keeping with accepted industry practices, employees working in a club or foodservice operation may be provided a "free meal" immediately prior to, during or immediately following the day's work period, providing the meal qualifies under the IRS "convenience of the employer" rule. To qualify, the meal must be consumed on the employer's premises (i.e., in the club itself), the employee must be required to partake of the meal without substitution, and there is no other dining facility readily available where the employee may eat. Incumbents in the following associated positions are excluded from this "free meal" provision: management personnel, administrative support personnel, drivers, warehouse personnel and janitors. For those employees of the club not authorized free meals, an "employee meal" price may be established to cover prime costs (i.e., food cost and direct labor). The proper method of accounting for employee meals is to debit RAMCAS account 624 ("Employee Meals"), and credit account 151 ("Resale Inventory") for the actual cost of the meals.

SECTION C. PROCUREMENT

509. Purchasing Authorization. Except as specified in this instruction, all purchases shall be made per reference (d).

a. Authorized Individuals. The MWR Director shall be the sole contracting officer for all activities within the single fund. Contracting officers are authorized to delegate contracting authority and ordering authority within their organizations. Delegations of authority must be in writing.

b. Approval of the Commanding Officer. The commanding officer may establish dollar limitations on the amounts and types of expenditures contracting officers may authorize without his or her prior written approval.

c. Most Advantageous Contract. Procurement shall be made under such conditions that shall obtain for the Government the most advantageous (price and other factors) contract.

d. Leasing of Equipment, Grounds or Facilities. Leasing with NAFs is authorized. The provisions of reference (d) regarding competition and sole source justification must be observed and the decision to lease must be adequately supported by analysis of lease versus purchase cost factors.

510. Purchase of Food

a. Procurement

(1) Meat, Fresh Produce and Grocery Items. Each club or purchasing office shall make a marketing spread sheet listing the prices of vendors for each item purchased. Spread sheets will be prepared as often as necessary to ensure all products are purchased at the best price or value, i.e., quality, timeliness of delivery, vendor service record, etc. Clubs will purchase from this spread sheet, which becomes a required document for local and other audits. The spread sheet, if maintained properly, will satisfy requirements of reference (d). Exception to reference (d): Activities may purchase against the Army Prime Vendor contract instead of maintaining spread sheets. Army Prime Vendor contract order sheets shall be kept for audit purposes.

b. Food Inspection. All meats (beef, veal, lamb, pork), meat products, poultry and seafood delivered to all clubs shall have been inspected and passed by the U.S. Department of Agriculture (USDA).

These foods originating outside the U.S. shall be inspected by the U.S. Army or U.S. Air Force Veterinary Corps or the Navy Medical Officer (or his/her representative) when USDA inspection services are not available. This inspection shall be indicated by a stamp "U.S. Inspected and Passed" on the meat itself or on the package. Inspections by other agencies (state or local) are not acceptable unless they are at least equivalent to inspections performed by the Department of Agriculture. Chapter 1, Sections IV and VI of reference (q) should be used as a guide as to inspection required for food supplies.

c. Navy Exchange (NEX) Price Agreement Bulletins. When more advantageous, clubs may buy direct from manufacturers or jobbers at prices listed in NEX Price Agreement Bulletins or Army or Air Force NAF contracts. Purchases may be made from a NEX store.

d. Air Force Nonappropriated Fund Purchasing Office. Clubs may buy foodservice equipment, supplies and services through the Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) at Randolph Air Force Base, Texas. AFNAFPO has negotiated contracts with manufacturers offering favorable prices, therefore, the routine bidding process is not necessary when purchasing through AFNAFPO. Equipment and supply catalogues and updates are issued by AFNAFPO to clubs periodically.

e. Approved Sources. The club shall contact the nearest Army Food Procurement Activity and get a list of sanitarily approved food establishments. Food shall be purchased only from approved sources.

511. Purchase of Alcoholic Beverages

a. Sources. DoD and Navy policies provide that alcoholic beverages procured for Navy NAF activities be purchased in a manner and under conditions that will result in the most advantageous procurement, price and other factors considered. Sources of supply include the NEX and local vendors. NEX will sell to Navy clubs at landed cost, i.e., no mark-up or service/administrative charge. Procurement of alcoholic beverages from other than the low offerer must be justified as required by reference (d). Malt beverages may be purchased from the NEX at cost.

b. Volume Procurement. Clubs shall procure alcoholic beverages in the most economical manner feasible, including consolidation of the requirements of individual clubs to gain the full benefit of volume

procurement. Economies achieved through volume procurement practices are shared by each participating activity at the installation. Such procurement practices should identify the most economical source of supply and distribution methods, such as drop shipments.

512. Purchase of Foreign Goods by NAFIs

a. Definition of Terms

(1) Foreign Goods. Per reference (ff), those goods produced or manufactured in a foreign country and physically located outside the U.S., its possessions, or Puerto Rico, or in bonded warehouses or a foreign trade zone within the U.S., its possessions, or Puerto Rico.

(2) Perishable Subsistence Items. Items (such as fresh vegetables, fruit and milk) of such nature that their quality at the point of consumption would be impaired or destroyed if shipped from the U.S.

(3) Local Market. The local market area surrounding a NAF activity that serves the same U.S. personnel who are served by such NAF activity, as defined by the appropriate overseas commander. In defining the local market, major overseas commanders should include only the area in which there is effective competition with the NAF activity.

(4) Excess Foreign Currencies. Currencies of countries, (1) held by the U.S. Treasury in excess supply for all U.S. Government needs and, (2) periodically declared to the Bureau of the Budget by the U.S. Treasury as excess; the lists of countries are transmitted to the DoD Components from time to time by appropriate DoD issuances.

b. Policy. It is the policy of the DoD to promote the sale of U.S. items in overseas NAFIs. Managers of overseas clubs shall take whatever steps are possible, within the limits of sound business practice, to stock merchandise of U.S. origin in preference to equivalent merchandise from foreign sources.

c. Foreign Goods for Resale. It is recognized that, when locally available foreign goods are procured by U.S. personnel in overseas areas, a more favorable affect on the U.S. balance of payments will result if such goods are purchased through U.S. operated NAFIs rather than procured directly on the local economy or from other foreign outlets. Accordingly, overseas NAFIs are authorized to

procure foreign-made goods available in the local market for resale to authorized personnel, subject to the restrictions contained in Part 8, Section IV, of reference (ff), and under the conditions as set forth in reference (gg).

d. NAFIs Located in the United States, Its Possessions, and Puerto Rico. NAFIs located in the U.S., its possessions and Puerto Rico shall not purchase foreign goods from sources outside these areas. They may, however, purchase lawfully imported foreign goods from sources within those areas. Requests for exceptions, substantiated in detail, including dollar expenditures involved, must be submitted via the chain of command to the SECNAV.

513. Overseas Transportation of CONUS-Procured Merchandise. NAFIs at overseas activities shall comply with shipping procedures prescribed in reference (d) in order to secure the most economical and expeditious overseas transportation of CONUS-procured merchandise.

SECTION D. OTHER ADMINISTRATIVE AND MANAGEMENT FUNCTIONS**514. Training and Professional Organizations**

a. Training Seminars or Conferences. Travel and per diem expenses are authorized in connection with government-sponsored training, seminars or conferences held for MWR activities' improvement or at non-government conferences sponsored on behalf of the hospitality industry.

b. BUPERS MWR Training. The BUPERS MWR Division, through the Navy MWR Training Unit (NMWRTU), offers mission related, essential training courses for personnel associated with the clubs. An annual brochure "MWR Training Program FY-XX" is distributed to commands. The brochure describes the course offerings in some detail and provides schedule and quota information. Activities desiring to use the courses offered should follow the instructions contained therein. Club managers shall attend the club management course. On-site food and beverage training assistance is also available as requested by the command.

c. Professional Organizations. Membership in professional organizations is authorized and encouraged. Professional organizations distribute valuable publications to members and provide excellent opportunities for professional development through training sessions and conferences. Payment of membership fees for NAF employees by NAF funds is authorized, provided such membership is by title and in the name of the activity.

d. Tuition Costs. Tuition costs of approved educational courses, if directly related to the present position, may be authorized by the commanding officer. The commanding officer may delegate this authority to the MWR director within the scope of an established tuition reimbursement program within the activity.

515. Management Assistance. Technical assistance visits by qualified representatives are available from the BUPERS MWR Division (Pers-65), upon request of the command or the respective chain of command. If the request is for interim management, the requesting activity will be billed for all expenses, including salary, of the representative providing interim management services.

516. Newsletters

a. "Under Currents." A newsletter, Navy Club and Recreation Undercurrents (NAVPERS 15173) is published periodically by the BUPERS MWR Division (Pers-656) as a nondirective communication medium for administrators of MWR Activities.

b. "Front Burner." A newsletter, Navy Clubs Front Burner, is published quarterly by the BUPERS MWR Division (Pers-655) as a nondirective communication for MWR and club personnel.

517. Activity Correspondence

a. Within the Defense Establishment. Except as otherwise prescribed in this instruction or by reference (hh), correspondence within the Defense Establishment shall be of the official type, originating with the commanding officer or an individual authorized to sign by direction, and forwarded via the chain of command.

b. With others. Correspondence with individuals or firms outside the Defense Establishment shall be prepared following reference (hh) and shall be signed by the commanding officer or by an individual executing the duties of his or her office.

518. Mailing of Correspondence

a. Unofficial Correspondence. The cost of mailing correspondence relating to procurement of goods for resale, pertaining to collection of NAFI income and other unofficial related matters shall be paid with activity NAF funds. APF funds are not authorized for this purpose.

b. Official Correspondence. Postal services are authorized when involving official communications within and between government agencies, persons and private commercial agencies not related to the sale of goods and services. That portion that is not related to the resale of merchandise or services is authorized APF.

c. Club Bulletins. See paragraphs 516a and b of this instruction.

519. Facilities. Planning and expansion guidance is provided through the MWR Senior Managers' Desk Reference Guide, Volume 2, Facilities

Management. Other supporting information and procedures for facility construction/repair initiatives is available in Chapter 2 of reference (ii) and reference (jj).

520. Fire Prevention Inspections. All clubs are to be inspected for fire hazards by either the fire department or designated management personnel prior to securing the building. The inspection program should be the responsibility of the Fire Chief. Where management personnel are used, the Fire Chief should instruct them in the recognition of fire hazards, provide a suitable fire hazard check-off list, closely monitor the program by requiring a telephone report at closing and provide spot inspections at least monthly.

521. Safety. A safety program shall be in effect for clubs. Specific actions to alert personnel to hazards involved in the use of certain materials and prescribe necessary precautionary measures must be coordinated with local offices of health and safety. Such actions should include, but are not limited to, emphasis on the proper handling and storage of hazardous materials and should be made an integral part of all orientation briefings for newly assigned/employed personnel. Guidelines for establishing an adequate safety program are outlined in references (kk) and (ll). Reference (kk) also contains pertinent information about Worker's Compensation coverage for all NAF club employees. Further, this instruction provides information about current insurance program administered by the BUPERS MWR Division (Pers-653), for property and liability insurance.

522. Travel. Travel performed by naval or civilian personnel for clubs shall be authorized in writing by travel orders from competent authority. This travel may be performed by Government vehicle, commercial transportation, or through use of one's personal vehicle, and is reimbursable by the Government per the Joint Travel Regulations. Travel costs are authorized as APF or NAF expenses as follows:

a. Military and APF Personnel. Travel by naval or civil service personnel in connection with conferences, training schools, or other essential business involving departmental administration should be at Government APF expense. NAF funds may be used on certain rare occasions if no other funding source is available and if approved by the commanding officer.

b. NAF Personnel. Travel by an employee paid with NAFs shall be at the expense of the NAFI, unless the travel is directed by an authorized DoD official and relates to business supported by APF funds in which instance APF funds may be used.

523. Manager's Expense Account. Costs incurred by club managers incidental to the administration and operation of the club will be paid from the manager's monthly expense account. Examples of such expenses are: cost of comparative shopping to try new products; dining out to learn about and maintain a working knowledge of competitive operations; other out-of-pocket expenses as authorized by the commanding officer. The commanding officer may authorize the inclusion of expenses for subordinate management personnel on a manager's expense account. The expenses will be charged to the individual's assigned activity.

a. Limitation. Expense accounts are authorized on a "use or lose" basis and do not accumulate from month to month. The amount of each expense account will be set by the commanding officer in writing and will not exceed \$200 per month.

b. Alcoholic Beverages. Use of the expense account to purchase packaged alcoholic beverages is prohibited.

c. Documentation. Managers will provide accurate and complete documentation for all reimbursable expenses. Original receipts for each expense are required; they will include the date, reason for expense, amount of expense and signature of the manager being reimbursed. Expenses will be recorded during the month in which the expense occurred. Reimbursement will be by check payable to the manager who incurred the expense.

d. Approval. The commanding officer will approve payment for the club manager's expenses. Approval authority may be delegated to the MWR Director.

CHAPTER 6

GAMING DEVICES

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CHAPTER 6

GAMING DEVICES

SECTION A. PURPOSE, AUTHORITY AND POLICIES

601. Purpose. Policy and procedures for the operation of gaming devices at authorized Navy installations is per references (e) and (d). Gaming devices (including slot, video poker, blackjack and keno machines) are defined as coin operated electronic devices which pay off in cash or something of value as the result of an element of chance. The justification for gaming devices is based upon the need to provide an additional form of entertainment under a controlled environment.

602. Authority. The operation of gaming devices on U.S. Government property or within the territorial jurisdiction of the United States is prohibited by law (15 USC 1171-1177). The Secretary of the Navy on 23 March 1959 authorized gaming devices at overseas shore activities where not in violation of U.S. laws, status of forces agreements or local laws. Gaming devices may be operated only when specifically authorized. CHNAVPERS as the designated agent of the CNO for gaming device matters in the Navy, shall approve/disapprove requests to initiate gaming device operations. The local activity shall retain the authorization letter indefinitely in readily accessible files. BUPERS may rescind the authorization to operate gaming devices either temporarily or permanently for noncompliance with current policy. The exercising of the authorization for gaming device operations shall at all times be at the option of the commanding officer, the ISICs or higher authority. In 1993, the CNO authorized the funding of a Navy-wide conversion to electronic gaming devices and subsequent elimination of all non-electronic gaming devices requiring hand paying of jackpots.

603. Ownership

a. Only gaming devices which are the property of an authorized Navy MWR facility shall be operated on Navy installations. With approval from BUPERS machines may be installed in any authorized MWR activity. Since gaming devices are considered recreational devices, ownership by NEX is not authorized.

b. Unless authorized by BUPERS, maintenance contracts with private firms are prohibited. Rented, leased, or concessionaire-owned gaming devices are not authorized. Installment purchases or any arrangement other than outright cash purchase to circumvent this

prohibition are not authorized. Offers of a new model machine for trial purposes requires prior permission from BUPERS (Pers-65). Any exceptions to this ownership policy will be subject to all the regulations, restrictions and conditions of this instruction.

604. Action. Commanding officers and ISICs having inspection responsibility for naval activities shall administer and operate gaming devices per the provisions of this instruction. Should any implementing instructions or supplemental directives be issued, a copy shall be forwarded to BUPERS and chain of command as appropriate. Additionally, BUPERS shall be advised of incidents or conditions involving the diversion or loss of assets, substantive deficiencies and mismanagement of gaming device operations in MWR activities.

605. NAVPERS 1746/5 (Rev. 1-94), Quarterly Gaming Devices Performance Statement, and NAVPERS 1710/4 (Rev. 1-94), Gaming Machine Income Sheet, are to be used in the record keeping process for gaming devices. These forms are available from BUPERS (Pers-655).

**SECTION B. PROCEDURES FOR ESTABLISHMENT, OPERATION,
AND ADMINISTRATION OF GAMING DEVICES**

606. Purchase

a. Only gaming devices of U.S. manufacture and approved by BUPERS shall be purchased and operated at OCONUS Navy MWR Activities. BUPERS shall consider prices, quality of equipment, and availability of parts and services in determining the manufacturer or vendor and shall initiate procurement action on behalf of the activity. Purchasing shall follow all the provisions of this instruction. Navy activities are not authorized to procure gaming devices directly from the manufacturer, vendor or any other activity.

b. The purchasing activity must secure a certificate signed by the manufacturer that each machine, listed by serial number, has been procured from U.S. manufacturers. The certificate shall be retained indefinitely in readily accessible files.

c. Authorized activities desiring to purchase either new or used gaming devices shall advise BUPERS (Pers-65) of the number of machines being considered and shall request the latest price quotation. Upon receipt of the latest price quotation, the activity shall submit a purchase request via letter or message for the number of machines desired. Per reference (e), Navy activities are required to pay for merchandise once it is delivered to the overseas terminal for transshipment and a receipt is subsequently provided indicating proof of delivery. The request must provide BUPERS with the following information:

(1) Indicate whether order is for slots/video machines, or both

(2) Model number

(3) Coin denomination; game type; quantity

(4) Electrical specifications (Hertz/Voltage/Phase)

(5) Authorization from activity to charge its Central Fund Bank Account Activity Number to pay the vendor when documentation is presented that the machines have been delivered to the designated overseas shipping point. The cost for each order may include packing, shipping, and any miscellaneous expenses.

d. BUPERS shall contract for the machines on behalf of the activity and advise the activity of any variance between the latest price quotation and the contract price prior to issuing the contract. The activity shall then set aside sufficient funds to cover the cost of the machines.

e. Spare parts shall be procured only from authorized manufacturers or their representatives. Electronic parts may be procured locally if more readily available (e.g. chips, EPROMS, transistors, etc.). BUPERS MWR Division (Pers-65) is to be advised of any significant difficulties in obtaining spare parts for gaming devices.

607. Specifications

a. Machines shall be limited to those using United States nickel (5 cents), dime (10 cents), and quarter (25 cents) coins.

b. All machines shall fit within the following coin play capability:

- (1) five cents, one coin to five coins
- (2) ten cents, one coin to five coins
- (3) twenty-five cents, one coin to five coins

c. All gaming devices shall be set to the prescribed Navy payback of 90 percent (plus or minus one percent) return to player of total money played.

d. The minimum meter requirements for Navy gaming devices are as follows:

- (1) Mechanical:
 - door open meter
- (2) Electronic or Mechanical (readily visible to players):
 - coins played, which counts the number of coins/credits played
 - winner paid (win meter), advises the player of the number of coins/credits paid as a result of hitting a winning combination.
 - credits (if equipped for credit accumulation) advises the player of the number of credits stored in the machine.

(3) Electronic or Mechanical:

- Total coins played (coin in meter), which counts the number of coins/credits accepted by the machine.
- Jackpots paid, which counts the number of 1000 coin jackpots paid by the machine.
- Small awards paid, which counts the number of coins paid by the machine.
- Coins to cash box (coin drop meter), which counts the number of coins that have gone to the cash box.

e. All meters except the win meter shall be the five or six digit (99,999 or 999,999) and repeat, non-reset type. These meters shall not be tampered with or rendered inoperative. Any machines in which a meter (including the win meter) becomes inoperative or malfunctioning shall be placed out of order until satisfactorily repaired/replaced. The win meter shall be a three or four-digit type meter visible to the player to indicate the number of coins paid on a winning combination. The win meter shall automatically reset with each handle pull/spin.

f. Machines shall be equipped with a maximum jackpot light and sound alert device.

g. Both casement and machine stand doors shall be equipped with two locks each.

h. An award card showing the pay-outs shall be displayed on the machine. This is shown either on the display glass or video screen depending on the type of machine.

i. Special awards shall not exceed the following:

- 5 cents machines, 1000 coins (\$50)
- 10 cents machines, 1000 coins (\$100)
- 25 cents machines, 1000 coins (\$250)

608. Transportation

a. Gaming devices as covered by 15 USC 1171-1177 (Gambling Devices Act of 1952, as amended in 1962), may be legally transported using U.S. Government transportation (surface or air) or American Flag vessels from the transshipment point in the United States to their overseas destination.

b. Gaming devices may be returned to the manufacturer using U.S. Government transportation (surface or air) or American Flag vessels to the port or terminal of entry.

c. Gaming devices may be transported from one overseas base to another overseas base where authorized, using U.S. Government transportation (surface or air) or American Flag vessels.

d. All containers, packages, etc., containing gaming devices are required by law (15 USC 1174) to be clearly labeled or marked with the name, address of the shipper, and of the consignee, and the nature of the article or the contents on the outside of the container or package.

e. Gaming devices can not be shipped to a state of the United States or area of Federal jurisdiction, where such devices are not legal.

609. Regulations for Play

a. The minimum requirements shall be displayed in the game room as follows:

(1) Personnel prohibited from playing gaming devices:

(a) Persons under the age of 18 (not including active duty personnel).

(b) MWR administrators exercising management control over the activity operating gaming devices.

(c) Game room cashiers during working hours.

(d) Slot machine technicians and performance record keepers employed by the command.

(e) Command observers on day of duty.

(f) Audit board members.

(2) Guests of authorized patrons. Extension of privileges to host national guests outside of the categories set forth in local status of forces agreements must be approved by the host nation in order to be legally acceptable.

(3) No objects (drinks, hats, coats, etc.) shall be placed on top of a gaming device or in front of the reel glass.

(4) In order to collect malfunction payments, the machine

award must be visible for verification. The malfunction (short pay) payment on any portion of a Jackpot or credit cash out, must be witnessed by a third party and verifier. Details must be recorded on appropriate line of the Malfunction Payment/Attendant Credit Payment Voucher (Appendix G).

(5) Any person tampering, manipulating, or using undue force on any machine shall be refused further play and shall be reported for disciplinary/administrative action.

(6) If players are waiting, only one machine may be played by an individual at a time.

(7) Playing privileges may be denied anyone based on misconduct or violation of the regulations of play.

610. Audit Board. The commanding officer shall appoint a separate audit board for gaming device operations. The following applies:

a. The board shall consist of at least two disinterested persons not involved in gaming devices or MWR operations.

b. The head of the audit board shall be a member of the U.S. military and shall have a working knowledge of gaming device controls as contained in this instruction.

c. Audits should be conducted monthly, but not less than quarterly. With a copy of the report and working papers shall be retained on file for three years. Responsibilities of the Gaming Device Audit Board (appendix H) prescribes minimum audit procedures.

611. Identification Plates. All mechanisms (i.e., motherboard, backplane board, reel assembly, etc.) and casements shall have a permanently affixed indelible identification plate reflecting the local serial number. The plates should be located on these devices in a manner to provide ease of inventory and control procedures.

612. Keys. Gaming device keys shall be configured so as to require two separate sets of keys to gain access to the machine. There shall be two sets of keys that shall each contain only half the keys required for entry to the machine. There shall be a third set of keys that shall contain all the keys to allow access to the machine. This third set of keys is to be kept in a highly secured location and access to this set of keys shall require a significant degree of restricted access. The primary use of this set of keys is to allow

for immediate access to the machine for surprise auditing procedures as prescribed by the local audit board and to allow for back up keys as may be required by malfunctions.

a. The commanding officer shall designate in writing the MWR manager overseeing the gaming device operation to hold, secure and be accountable for the MWR activity's set of gaming device keys.

b. The commanding officer shall also designate in writing the command duty officers or other designated officers to secure, transfer and be accountable for the commands set of gaming device keys. The term "officer" (command observer) as used in this instruction includes enlisted personnel in the pay grades of E-5 and above.

c. There shall be no machines with only one lock on the casement door. If necessary, a temporary lock shall be installed and the key shall be accountable as otherwise prescribed.

d. Distribution of keys shall be as follows:

| | Command MWR <u>ObserverActivity</u> |
|----------------------------------|--|
| (1) Casement Keys | |
| (a) top | X |
| (b) bottom | X |
| (2) Stand Keys | |
| (a) left or top | X |
| (b) right or bottom | X |
| (3) Cashbox Keys | X |
| (4) *Reset key/electronic meters | X |

* Machines may come with a malfunction reset key and power off key. Since these keys do not allow access to the interior of the machine, stand or cashbox, they may be retained within the activity to allow verifier's to reset or turn off malfunctioning machines. Technicians are not permitted to retain any gaming device keys which would allow access to internal casements or cashboxes.

e. Gaming devices with a lock-in cashbox (safeguard or equivalent) mounted within a double locked stand beneath the gaming

device may have separate master keys for each individual lock on casements, stands, and cashboxes. Machines having a cashbox, other than described above, shall be keyed separately.

f. Keys shall be attached to key rings welded closed or sealed via tamper proof method. Separate key rings may be established for the various key types (i.e., casement key ring, cash stand right side key ring, etc.). However, all key rings shall be secured together to aid in key control.

g. Keys shall be issued at the time of coin collection, repair or installation of machine. Controls over the keys shall be established by maintaining a record of the name, rate/rank, organization, and date of issue to the authorized command observer. The record shall also state the specific purpose for the issue. The keys are to be transferred directly from the place of safe-keeping to the place required by the specific purpose of the issue and returned.

h. A duplicate set of gaming device and game room keys to be used in case of emergency or surprise inspection shall be retained by the commanding officer, officer in charge, or the designated officer representative. Command retained keys and MWR activity key security lists shall be verified by the gaming device audit board at least semi-annually.

613. Coin Collection

a. Coin collections shall be conducted as often as necessary but not less than twice weekly. In addition, a coin collection shall be conducted on the last normal working day before the end of each month to ensure that income is credited in the appropriate accounting period. Cashiers of those gaming device operations with hand-paid Jackpot machines are prohibited from participating in coin collections.

b. The command observer shall record each opening of a gaming device, verify the coin count, and record all meter readings when machine casements are opened and prior to their closing. The collection and verification of the coins removed from the gaming devices shall be made by two members of the MWR activity management or designated representatives and the command observer. While the command observer shall not actively participate in the coin collection, he or she shall verify the totals and record all necessary figures. Any changes to original posting shall be by both the command observer and a representative of activity management. A locally

prepared checklist should be made available to the command observer to assist in carrying out assigned functions. A sample of a Gaming Device Command Observer Checklist (appendix I) is provided.

c. Coin hoppers shall not be filled from the cashbox. When the hopper has been depleted or the gaming device technician has judged the hopper level insufficient to continue normal play, there may be a hopper refill. Technician should examine the machine for possible malfunction. Management, when satisfied that the machine is mechanically sound, shall fill the hopper with coins drawn from the cashier's change fund and properly account for the expense. The pay-out Hopper Refill Voucher (Appendix J) shall be used for recording coin hopper refills, accumulated and shall be reported on the quarterly statement.

d. Coins drawn from the cashier shall be charged to the individual machine. Since properly functioning machines shall automatically refill the hopper, for cash verification during audits, the amount charged to each machine in the initial loading shall be recognized as the value of the coins in the initial loading. Therefore, it is not necessary to inventory the coins in the hoppers unless there is a question about the hold percentage of an individual machine. If such a question should arise then coins in the hopper should be verified and compared to meter readings, both coin in and coin to cash box, to determine errors. Should a significant number of excess coins be found in the hopper, they may be charge as income for that machine. However, if the number of coins in the hopper are under the amount of the initial loading, the technician may judge refill requirements.

e. Recommended initial loading capacity is 300 coins over the maximum jackpot award.

f. Loose coins found inside the machine are to go to the hoppers as not to distort the coin to drop meter reconciliations.

g. The command observer shall:

(1) Ensure the security of the coin containers and the coin count proceeds without interruption.

(2) Verify the coin counting meter on the coin counting machine by counting 30 coins of each denomination prior to conducting the official count.

(3) Ensure the meter is reset to zero prior to the counting of each individual cashbox.

(4) Ensure coin count totals have been recorded accurately.

(5) Ensure that a checklist (appendix I or a similar list) is followed.

h. Upon the completion of each individual coin count, all coins of a similar denomination shall be recounted. "Coin Collection Summary" forms (Appendices K or L) may be used to record meter readings, coin count, and other pertinent information for each coin collection. Any discrepancies on the "Coin Collection Summary" shall be investigated and noted. These forms shall be retained by the activity for three years.

i. Upon the completion of each coin harvest the gaming device change fund, if one is used, should be reconciled and coins should be retained by the activity for future use. Change Fund Disbursement Sheet and Gaming Machine Income Sheet (Appendices M and N) shall be used to summarize activity since the last coin harvest. Funds from the coin harvest shall be used to replenish any hopper refills or malfunctions paid prior to the completion of the deposit.

614. Maintenance

a. All gaming devices shall be maintained, repaired, or overhauled by authorized repair personnel or representatives of the machines manufacturer. Only one maintenance or repair shop is authorized at each naval installation.

b. When a machine casement or stand is opened for routine inspection or on-site repairs, the command observer and two activity representatives shall be present until the opened device is secured.

c. Each activity shall maintain an on-site repair log (locally prepared). The gaming device technician shall record in the log all maintenance work performed and include location, number of machine, date, time, description of malfunction, corrective action taken, and the number of test plays conducted. Each entry, including all opening and closing meter readings, shall be signed by the gaming device technician and witnessed by the command observer and activity representative. Machines unable to be repaired on-site shall be placed out of operation and recorded in the activity log book. The gaming device technician shall transcribe in summary form the required information to the locally prepared maintenance history record.

d. A locally-prepared schedule for maintenance/overhaul shall be established. The minimum schedule for the various types of maintenance is prescribed in the manufacturers service manual.

e. During overhaul, the machine shall be sufficiently dismantled to inspect, clean, repair, and replace all parts as appropriate and as prescribed by manufacturer's preventive maintenance.

f. When a machine casement is removed from play, all money within the hopper shall be removed, counted, and secured.

g. A locally prepared maintenance history record for each gaming device shall be established and include the machines local number and the manufacturers' serial number. All maintenance performed on the machine shall be recorded by date, description of malfunction (or purpose of maintenance), corrective action taken including a list of parts replaced/repaired, and the total number of test plays conducted during the maintenance period. Each entry shall be signed by the command observer and the technician performing the work. The Monthly and Historical Play Counter Records (Appendices O through V) shall be annotated to reflect the period of overhaul.

h. An inventory of spare parts shall be located in the maintenance shop. Field kits for on-site repairs shall be issued from this inventory. Regularly scheduled inventory of parts shall include those in the field kits.

615. Monitoring Machine Performance

a. Navy gaming devices are pre-set to provide a pay-out percentage of 90 percent (plus or minus one percent) average after a complete play cycle (play cycles for slot machines are a function of the number of reel stops, i.e., 20 stop reels have 8,000 plays per cycle, 22 stop reels have 10,648 plays per cycle; video poker games have 2.7 million plays per cycle, blackjack has 1225 plays per cycle, keno game has 8.9 million plays per cycle). Since slot machines/video machines are random gaming devices that follow a cyclical pay-out pattern, percentages may vary at any given time. Therefore, operational data shall be compared to the pre-set pay-out percentage on a machine's installation/overhaul to date to identify pay-out variations and machine trends before they become extreme. Appendices O through V shall be used to record data.

b. If records show a machine out of tolerance, the machine shall be completely overhauled and BUPERS (Pers-65) advised. Machine performance can be accurately calculated first, by determining the hopper level adjustment (take beginning coin balance in the hopper adding hopper refills subtract malfunctions paid to give coins available and subtract the ending hopper) then adjusting the coin in less coin out meter readings. This figure shall be compared to coin

to drop meters and actual coin harvest. Serious variance shall be cause for investigation.

616. Accounting Instructions

a. The MWR activity manager is responsible for the preparation of the NAVPERS 1746/5 (Rev. 1-94) Quarterly Gaming Devices Performance Statement (appendix V). Blank statements may be obtained from BUPERS, Pers-655, Washington, D.C. 20370-5000.

b. On or before the 15th day following the end of each quarter, the commanding officer shall forward the original copy of NAVPERS 1746/5 (Rev. 1-94) to the Chief of Naval Personnel, (Pers-655). A copy of the report shall be forwarded to the immediate superior in command and inspecting authority. Separate reports shall be submitted for each gaming device type that has a different hold percentage, i.e., slot machines and video machine reports, must be maintained at the local level for management and audit purposes.

c. In determining net profit of gaming device operations, only those salaries/wages and expenses directly attributable to the gaming device operations may be deducted (on items 5 and 6 of appendix V). "Directly attributable" is defined as those salaries/wages and expenses that would be eliminated resulting from the elimination of gaming device operations. Pro-rating such salaries/wages as recreational activity managerial personnel or other personnel not directly related to gaming device operations is not authorized. Operating expenses shall not exceed four percent of total money played. Should operating expenses exceed four percent, a detailed explanation shall be submitted with the Quarterly Gaming Devices Performance Statement to BUPERS (Pers-655). Cash overages and shortages shall be included on item 6.c and explained on the reverse side of the report requirement. A copy of the report shall be forwarded to the immediate superior in command and inspecting authority.

d. Percentages on items two through nine of the Quarterly Gaming Devices Performance Statement shall be computed using the 100 percent figure on item one as the denominator.

e. Gaming devices shall be depreciated per reference (e). Three to five years life expectancy for depreciation purposes is considered the norm.

617. Statistical Data

a. To fully use all detailed accountability information built into the electronic gaming device, the electronic meter readings must

be recorded as essential bookkeeping data, Monthly/Installation To Date Electronic Meter Readings and either IGT Video Poker Monthly Summary or Bally Video Poker Monthly Summary (Appendices O through Q pertain). Procedures to read electronic meters are as follows:

(1) Scheduled readings: On the last normal working day before the end of each accounting period, record the electronic meter readings by each category using Appendices O through Q.

(2) Unscheduled readings: A reading must be taken whenever an electronic gaming device is installed on-line or the microprocessor unit (MPU)/processor board is replaced. When installing a gaming device check the accuracy of the electronic meters. When replacing the MPU board, ensure that the electronic meter readings have been recorded.

(3) Machines equipped with the permanent memory device Erasable Programmable Read Only Memory (EPROM) on the mother board (backplane board), in addition to the safe Random Access Memory (RAM) on the MPU board must be maintained as follows:

Prior to making any repair to the mother board, replacing the board, or the EPROM, the game information memory must be recorded (transcribed). Exchange of the mother board between machines is prohibited without documentation of meter readings.

618. Inventory, Relocation, and Disposal of Gaming Devices

a. At the end of each fiscal year (30 September), an annual inventory of all gaming devices is to be submitted to BUPERS (Pers-655). This inventory shall be submitted no later than 1 November. The inventory shall include all gaming devices that are operated at a location without regard to ownership. The inventory shall include the following:

- (1) name of the manufacturer
- (2) model numbers
- (3) game type
- (4) denomination
- (5) manufacturer's serial number
- (6) local number
- (7) physical location

In addition to the preceding, any changes (e.g., transfers in/out, disposal, acquisition, change in denominations, change in game type, etc.) in inventory during the fiscal year must be submitted to BUPERS (Pers-655).

b. A gaming device shall not be sold, destroyed, transferred, or otherwise disposed of without prior approval from BUPERS. A request for authorization for disposition of any machine shall include reasons for the proposed action and full description of the machine, including manufacturer's serial number. Upon approval for destruction, two commissioned officers shall administer a NAVCOMPT 2212, Certificate of Disposition, bearing the serial number of machine with the date. The officers shall serve as witnesses when machines are destroyed or disassembled for spare parts. A copy of NAVCOMPT 2212 shall be forwarded to BUPERS (Pers-655).

c. Appropriate documentation and reporting are the responsibility of the commanding officer who shall ensure that the records identified in this instruction are accurately prepared, locally monitored, distributed and retained per this instruction.

COST CONTROL (GENERAL)

Section 1

1. PURPOSE AND SCOPE. Cost Accounting, or cost control, is the analysis and construction of all sales transactions. Completed so it will show the total cost of each commodity sold, in expenses and overhead. This appendix directs good business practices that provide accurate information which services as a tool in controlling waste, portion control, and theft.

2. DEFINITIONS

a. Cost control means to check or regulate, keep within limits, exercise direction, guidance or restraint over money, material, and employees.

b. Sales is the total amount received by the activity in any given period. Selling price refers to one item only, such as the selling price for a unit of merchandise.

c. Cost of goods, cost of goods sold, product cost and cost of sales all mean the cost of consumable items sold. Food cost, bar cost and pour cost are specific in nature and refer to a particular department cost of goods. They also refer to the total amount of consumable items issued during the accounting period.

d. Gross profit is the amount of money remaining after cost of goods is subtracted from sales.

e. Department refers to a management entity within an activity. Food, bar, catering and bingo are examples whose income and expenses are separately identified and controlled.

f. Activity refers to the overall club operation. Enlisted, Officers' or specialized club operations are examples.

g. Day-part is the specific time of day when something occurs, i.e. A.M., noon or P.M.

3. ESSENTIALS OF A GOOD COST CONTROL SYSTEM. Cost control includes the use of systems, techniques, records, and good business practices. It ensures maximum return for the cost of the operation. Cost control will ensure quality and quantity for the patron's expenditure. Five elements of cost control are:

- a. A cost goal for each operating department.
- b. A knowledge of the actions and procedures necessary to achieve the cost goal.
- c. Prompt and accurate information on the progress of reaching the cost goal.
- d. The ability of management to check the information received.
- e. The ability of management to follow-up and take remedial action as necessary.

4. OPERATING AND FINANCIAL STANDARDS FOR NAVY CLUBS

a. SOUND FINANCIAL OPERATIONS

(1) FINANCIAL STANDARDS

| | |
|----------------------------|--------------------|
| Food Dept COGS | maximum 40 percent |
| Beverage Dept COGS | maximum 25 percent |
| Food Dept Direct Labor | maximum 40 percent |
| Beverage Dept Direct Labor | maximum 25 percent |
| Food Dept Net Income | minimum BEP |
| Activity Net Profit | minimum 5 percent |

(2) Management determines the clubs break-even-point (BEP). A plan is developed to structure operations to achieve the BEP, plus the 5 percent net profit margin. This is accomplished as part of the annual budget process.

(3) Management has a documented system to account for and pinpoint responsibility for all food and beverage inventory and all cash receipts. The system includes; retail accountability, guest checks, high-cost/sensitive item inventory control, and use of receipts for patron cash payments.

(4) Management establishes prices by using the break-even analysis, financial standards, local competitive position and perceived value. Management reviews prices at least semi-annually.

(5) Management documents that a budget-to-actual variance analysis occurs monthly and operational adjustments are made when needed.

(6) Management conducts an annual review of all services and programs to assess cost effectiveness. This review should include a determination of monetary benefits that could be achieved if the clubs achieve the cost of goods sold standards for food and beverage operations.

b. SATISFIED CUSTOMERS

(1) Management conducts a locally developed survey annually to determine customer desires and needs. Documented adjustments are made to programs and services on survey results.

(2) Management is visible to patrons during all meal periods, special events, catered events and observations are documented in a Log.

c. QUALITY PRODUCTS AND PROGRAMS

(1) Management has developed and uses local standardized, written recipes for every food and mixed beverage item served in the club.

(2) Management has developed and uses written specifications for the purchase of food, beverage and related supplies.

(3) Management has written standard operating procedures for services and programs.

(4) Management updates/re-evaluates all recipes, specifications and procedures at least annually.

d. PROFESSIONAL MANAGEMENT AND STAFF

(1) The club manager approves, in writing, the selection of all club staff.

(2) Management maintains a documented program of organizational orientation for all employees.

(3) The club manager has completed the Navy Club Management Course within the first year after employment. The Armed

Forces Culinary Upgrade Program within the first two years of employment.

(4) Management maintains a documented program of job-related training for all employees.

(5) The club manager, and key management staff, must attend at least one outside professional development experience per year after completing the requirement in Para. c. above.

e. ATTRACTIVE, WELL-MAINTAINED FACILITY

(1) Management has a program of furniture, fixtures and equipment maintenance which results in all operational requirements being met. If operational requirements are jeopardized (i.e., club would be closed or unable to deliver committed services), action is taken, and documented, which will correct the deficiency within three days.

(2) During any six month period, the club maintains an average environmental health inspection score of not less than 85% with no score below 75%. Management corrects all violations or initiates corrective action so that no violation appears on more than two consecutive reports.

(3) Management conducts a comprehensive walk-through inspection of each food and beverage facility and causes corrective action to be taken on all noted deficiencies. A check list will be used and maintained for this purpose.

(4) Management maintains a written one year and five year plan to ensure programmed fixed asset and minor property renewal and replacement requirements.

f. EFFECTIVE MARKETING PROGRAM

(1) Management has a written annual marketing plan in place. There is evidence that management uses the plan effectively and updates it at least quarterly.

(2) Management conducts an annual, self-inspection using the Navy Club Operating Checklist (Appendix B).

g. Echelon II Commanders are authorized to adjust/waive standards for an activity under their command. Request for waivers to published standards are made direct to Echelon II Commanders through the chain of command. Echelon II Commands will info the BUPERS MWR Division (Pers-655).

5. PREVENTING EMPLOYEE THEFT

a. Preventing employee theft has become one of the prime considerations in controlling costs in club operations. Management has responsibility for implementing and administrating programs and systems to reduce this type of loss to a minimum.

b. The primary mission of management in controlling employee theft is to prevent an employee from becoming a thief. Applying the principles of theft prevention does this.

c. Reduce temptation by limiting opportunities, having controls in place and in use.

The following are essential in controlling theft:

- secured storage areas for food/beverage stocks
- sensitive item inventories
- key control logs
- spot checks on packages/bags leaving premises
- correct receiving/issuing procedures
- accurate inventories (taken by management)
- controlled guest check/receipt system
- spot cash counts on banks and registers
- employee training
- good management/employee communication

d. Surveillance equipment and audits of financial and operating records aids in preventing employee theft.

SECTION II

COST SYSTEMS AND CONTROLS

1. GENERAL. Cost control is a system of procedures which allows total control over a product. Cost control is generic and applies to any product sold. A food sensitive item inventory is required at least weekly and the inventory reconciled to actual sales. A bar inventory system must be in place that will allow a reconciliation of working stock to actual sales. Discrepancies are investigated. A monthly inventory of all resaleables is mandatory for accounting purposes.

2. COMPONENTS OF COST CONTROLS. Major components are purchasing, receiving, storing, issuing, forecasting, production, portion controls, inventory and reconciliation.

a. PURCHASING. Efficient purchasing will get quality products at the best price and with the best service available. Purchasing guides are written specification for all items bought. Use only industry established guides when purchasing meats, e.g., NAMP (National Association of Meat Purveyors). Buy items that are in season and fit the budget and operation. Chapter 5, Section C, discusses purchasing procedures.

b. RECEIVING PROCEDURES. After placing the order, the next control point is at the receiving dock/station. A copy of the purchase order is used to verify that the correct merchandise is received. Every purchase must be inspected for quality, quantity, weight or other product specifications. After the products have been verified, the weight and quantity are annotated and the vendor's invoice signed and dated by the receiver. One copy of the purchase order, with the invoice/delivery ticket attached, is forwarded to the accounting office. Circle the items not received.

c. STORAGE CONTROL. Storage control protects the merchandise and keeps spoilage/pilferage loss to a minimum.

(1) Issue only one key to the storeroom and it will be in the possession of the person responsible for that locked space. A duplicate key may be retained in a locked key box in the manager's office. If suspicions arise that the key is compromised, the lock to that space is changed. When the person in charge of the storerooms leaves the organization, all storeroom locks are changed.

(2) Only storeroom personnel are permitted in the storerooms.

d. ISSUING CONTROLS. Food is issued from warehouses only over an authorized signature, and records of every issue are kept. The form used is prenumbered in the upper right hand corner to call attention to missing or misplaced issued requisitions. Nothing leaves the warehouse unless it is recorded. Without NAVCOMPT Form 2214, a pre-numbered locally developed form will suffice.

e. FORECASTING. Forecasting begins with the collection of sales data and patron counts. It is the base from which we schedule people to work and prepare quantities of food or other merchandise. Forecasting is essential in controlling expenses. It results in the use of optimum work schedules which coincide with projected sales and the number of meals prepared. The Club Managers Daily Log provides a vehicle for forecasting. Forecasted patron counts on a day-part basis are reconciled to actual counts.

f. PRODUCTION/PORTION CONTROL. Reduce waste by preparing products in the correct amount. Correct portioning aids in the consistency of plate appearance, taste, cost of sales and patron acceptance.

(1) Prepare a production worksheet for each meal served. It sets the number of appropriate portions necessary for buffets, ala carte dining and fast food menus. As a minimum the worksheet must reflect the recipe number (if appropriate), amount prepared, time of preparation, serving time, portion size, preparer's name, disposition of left-overs and their intended use.

(2) Portion control is a critical element in controlling and maintaining cost of goods. Whenever possible, portion size is maintained by using a serving device of the correct portion size. Pre-portioning can be decided at the time of purchase.

g. INVENTORY AND RECONCILIATION. A system of inventory and reconciliation confirms the return on investment of merchandise bought during an accounting period. Sales are part of the validation process. The merchandise remaining after sales is significant in determining the actual return on investment. End of month inventories must be accurate in every aspect of the procedure and includes the following: count, product identification, cost and a correct extension of the data. A wall to wall inventory, conducted by at

least two people, one not associated with that particular function, is necessary for all resaleables on a monthly basis. The names and job titles of the individuals participating in each inventory should be documented for the official record. Management will determine food sensitive items (i.e., higher priced items) and inventory them at least weekly. Compare the inventory to sales and investigate discrepancies. Inventory bar operations as often as necessary to reconcile to actual sales. Inventory other resaleables as often as necessary to maintain integrity of the internal control process.

3. GUEST CHECKS

a. Guest checks will have at least two copies. One copy is for the kitchen the other for the cashier. The cashier's copy will have a stub given to the customer as a receipt.

b. Pre-numbered guest checks are issued to service personnel. At the end of the shift, service personnel will return all unused guest checks for reconciliation. Follow-up to identify and investigate any missing guest checks should be done immediately.

c. Guest checks are not necessary for snack bar type operations or pre-paid buffets.

d. Point of sale systems with remote printers may not require guest checks with two copies. The Kitchen Supervisor will reconcile with the cashier for the amount of food sold and paid for.

4. SCATTER SHEET CONTROLS

a. A scatter sheet control system aids in forecasting, determining menu item popularity, product mix, patron counts, sales cost of goods and may aid in the purchasing process.

b. Maintain sales history by manual or automated means and document the use of the data.

5. CATERING. Paragraph 208, Chapter 2, addresses private functions.

6. DAILY FINANCIAL SUMMARY. Track all incomes and expenses daily and reconcile no less than weekly. Average depreciation and other

relatively constant expenses over the past six months. Reconcile each month's data to actual results and make adjustments.

NAVY CLUB OPERATING STANDARDS CHECKLIST

| INSTALLATION | | ACTIVITY | |
|---|--|--------------------|-------------------|
| SECOND ECHELON COMMAND | | COMMANDING OFFICER | |
| MWR DIRECTOR | | CLUB MANAGER | |
| EVALUATED BY (NAME AND ORGANIZATION) | | EVALUATION DATE(S) | |
| PAGE | SECTION | SCORE: | MAX ACHIEVED |
| | I. CUSTOMER'S PERSPECTIVE | | |
| 2-3 | A. FACILITY AND GROUNDS | | 75 |
| 3- 9 | B. FOOD AND BEVERAGE | | 315 |
| 9-10 | C. CUSTOMER'S INPUT | | 135 |
| SUBTOTAL | | | 525 |
| | II. PROGRAMMING AND MARKETING | | |
| 11-12 | A. THE MARKET | | 58 |
| 12-15 | B. SPECIAL EVENTS, PROGRAMS, PROMOTIONS | | 58 116 |
| 15-16 | C. PUBLICITY | | 41 |
| SUBTOTAL | | | 215 |
| | III. OTHER CONSIDERATIONS | | |
| 16-20 | A. FINANCIAL | | 150 |
| 20-21 | B. SANITATION | | 30 |
| 21-22 | C. PERSONNEL AND GENERAL MANAGEMENT | | 80 |
| SUBTOTAL | | | 260 |
| GRAND TOTAL | | | 1,000 |
| FINAL SCORE (GRAND TOTAL SCORE ACHIEVED X .10) | | | |
| RESULTS: | | | |
| _____ | GOOD | (85 - 89) | |
| _____ | VERY GOOD | (90 - 94) | |
| _____ | OUTSTANDING | (95 - 100) | |
| EVALUATOR'S SIGNATURE | | | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|--|--------------|----------------------------|
| A | FACILITY AND GROUNDS | | |
| 1. | <u>Exterior</u> | | |
| | a. Locating club is easy--due to knowledgeable sentry and/or useful visible signs | 5 | |
| | b. Grounds, driveway, walks, parking lots are maintained well - repair, lighting, traffic flow, safety, etc. | 5 | |
| | c. Building is maintained well - condition of surface, paint, gutters, window frames, etc. | 10 | |
| | SUBTOTAL | 20 | |
| 2. | <u>Interior</u> | | |
| | a. Entry/Lobby - Neat/clean/hazard-Free | 4 | |
| | Ambiance | 2 | |
| | Lighting/décor | 2 | |
| | Repair | 1 | |
| | Odor-free | 1 | |
| | b. Public Space - includes all saleable space except dining and bar areas. | | |
| | Neat/clean/hazard-free | 10 | |
| | Ambiance | 4 | |
| | Lighting/décor | 3 | |
| | Repair | 7 | |
| | Odor-free | 1 | |
| | c. Restrooms: | | |
| | Ladies - Neat/clean/hazard-free | 4 | |
| | Lighting/décor | 1 | |
| | Repair | 1 | |
| | Stocked | 2 | |
| | Odor-free | 2 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|---|--------------|----------------------------|
| A | FACILITY AND GROUNDS (cont'd) | | |
| 2. | <u>Interior</u> | | |
| | c. Restrooms (cont'd): | | |
| | Men - Neat/clean/hazard-free | 4 | |
| | Lighting/décor | 1 | |
| | Repair | 1 | |
| | Stocked | 2 | |
| | Odor-free | 2 | |
| SUBTOTAL | | 55 | |
| TOTAL SCORE SECTION 1.A | | 75 | |
| B | FOOD AND BEVERAGE | | |
| . | | | |
| 1. | <u>Maitre d'/Host/Hostess</u> | | |
| | a. Greets and seats diners promptly and cheerfully. | 3 | |
| | b. Clean and neat - person, grooming, appropriate attire and name badge. | 3 | |
| | c. No bad habits on duty such as smoking, reading, chewing gum, eating, sitting, etc. | 2 | |
| | d. Gracious/courteous with customers at all times. | 1 | |
| | e. Satisfies customer's needs, e.g., anticipates customer's needs and/or accommodates special requests. | 3 | |
| | f. Acknowledges guests' departure, sincerely and pleasantly, with an invitation to return. | 1 | |
| | g. Oversees duties and other aspects of position well. | 4 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|--|--------------|----------------------------|
| B. | FOOD AND BEVERAGE (cont'd) | | |
| 1. | <u>Maitre d'/Host/Hostess (cont'd)</u> | | |
| | h. Management is visible during all meal periods, special events, catered events and observations are documented in a log book. | 3 | |
| SUBTOTAL | | 20 | |
| 2. | <u>Serving Staff</u> | | |
| | a. Offers pleasant, friendly greeting. | 4 | |
| | b. Clean and neat - person, grooming and uniforms including appropriate shoes and name badge. | 5 | |
| | c. No bad habits on duty such as smoking, reading, chewing gum, eating, sitting, etc. | 5 | |
| | d. Gracious/courteous with customers at all times. | 6 | |
| | e. Satisfies customer's needs - attentive, anticipatory. | 5 | |
| | f. Knows menu - item preparation, specials, "out of stock" items, etc. | 5 | |
| | g. "Sells" - makes recommendations. | 2 | |
| | h. Solicits customer's feedback on quality of product, early enough to correct any dissatisfaction. | 3 | |
| | i. Service is timely and correct - consider food, beverage, replenishing, clearing, etc. | 5 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|---|--------------|----------------------------|
| B | FOOD AND BEVERAGE (cont'd) | | |
| 1. | <u>Serving Staff (cont'd)</u> | | |
| | j. Check is legible, correct and given at the appropriate time. | 5 | |
| | SUBTOTAL | 45 | |
| 3. | <u>Menus</u> | | |
| | a. Appearance - consider art work, layout, use of space, color, inserts, "type size," etc., clean, not soiled or with bent edges. | 7 | |
| | b. Food Variety - consistent with restaurant theme; consider variety in choices, imagination and creativity in the dishes offered and in their description. | 13 | |
| | c. Pricing - reasonable and consistent with portion-size served. | 10 | |
| | d. Accuracy - consider correct descriptions/explanations, spelling of menu items and "truth in menu," e.g., the misuse of such terms as "fresh fish," "home baked," "farm fresh," etc. | 5 | |
| | e. Health/Low Cal - consider if menu offers items low in cholesterol, calories, fat. | 5 | |
| | SUBTOTAL | 40 | |
| 4. | <u>The Food and Beverage</u> | | |
| | a. Dining Areas including party rooms - consider atmosphere: | | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|--|--------------|----------------------------|
| B. | FOOD AND BEVERAGE (cont'd) | | |
| 4. | <u>The Food and Beverage (cont'd)</u> | | |
| a. | Dining Areas (cont'd) | | |
| | (1) Condition and cleanliness of walls, floors, rugs, fixtures, furniture, server's stations. | 10 | |
| | (2) Table-top setting - are ashtrays, china, glassware, silverware, napkins, table cloths clean and neat. | 10 | |
| | (3) Lighting suitability to room, time of day and occasion. | 5 | |
| | (4) Decor - how well it supports room and how well the decor is managed (fresh flowers, plants, wall hangings, drapes, memorabilia, etc.) | 12 | |
| | (5) Arrangement - consider ease of movement, table separation, segregation of smokers, efficiency in placement of hostess stations, registers, server stations and foodservice equipment. | 8 | |
| | (6) Ambiance - consider the atmosphere and positive feeling of the room. | 5 | |
| | SUBTOTAL | 50 | |
| b. | Buffet/Fast Food Lines | | |
| | (1) Efficiency of flow - customers get through line promptly. | 10 | |
| | (2) Replenished and maintained - supplied and kept clean and neat. | 10 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|----------------------------|---|--------------|----------------------------|
| B. | FOOD AND BEVERAGE (cont'd) | | |
| 4. | <u>The Food and Beverage (cont'd)</u> | | |
| | b. Buffet/Fast Food Lines (cont'd) | | |
| | (3) Merchandising - attractive set-up, menu boards and food displays. | 15 | |
| | SUBTOTAL | 35 | |
| | c. The Food | | |
| | (1) Appearance - color, variety and attractiveness of arrangement on the plate; properly garnished. | 10 | |
| | (2) Temperature - hot foods served hot; cold foods served cold and beverage at correct temperature. | 10 | |
| | (3) Taste - Taste and score 10 menu items (at least one of each entree, side dish, appetizer, dessert, salad, alcoholic and nonalcoholic mixed drinks) - consider taste, texture, top grade quality meat, produce and other ingredients as applicable. You may score the same item more than once on different days to test for consistency. | | |
| <u>ITEMS TASTED</u> | | | |
| (a) | 4 | | |
| (b) | 4 | | |
| (c) | 4 | | |
| (d) | 4 | | |
| (e) | 4 | | |
| (f) | 4 | | |
| (g) | 4 | | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|--|--------------|----------------------------|
| B. FOOD AND BEVERAGE (cont'd) | | | |
| 4. | <u>The Food and Beverage (cont'd)</u> | | |
| | c. The Food (cont'd) | | |
| (h) | 4 | | |
| (i) | 4 | | |
| (j) | 4 | | |
| TOTAL SCORE FOR ITEMS TASTED | | 40 | |
| (4) Each item has a standard recipe card on file and used for its production. | | 5 | |
| (5) Recipe cards have been updated within the last year. | | 5 | |
| SUBTOTAL | | 70 | |
| d. | Lounge Areas | | |
| (1) Food availability and promotion of relatively substantial food items such as pizza, sandwiches, fajitas, nachos, potato skins, etc. | | 10 | |
| (2) Alternatives to Alcohol | | | |
| (a) Effective program to prevent excessive consumption of alcoholic beverages in the club and visible reminders of the Designated Driver Program. | | 5 | |
| (b) Non-alcoholic drink list posted. | | 5 | |
| (c) Non-alcoholic drinks are creative. | | 5 | |
| (3) Condition and cleanliness of walls, floors, rugs, fixtures, furniture and equipment. | | 10 | |
| (4) Lighting - suitability to room, time of day and occasion. | | 5 | |
| (5) Decor - how well it supports room and how well the decor is managed (plants, wall hangings, drapes, memorabilia, etc.). | | 5 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|--|--------------|----------------------------|
| B. FOOD AND BEVERAGE (cont'd) | | | |
| c. Lounge Areas (cont'd) | | | |
| (6) Arrangement - consider ease of Movement, table separation, bar Traffic flow, segregation of Smokers, efficiency in placement of registers, server stations, food and bar service equipment. | | 3 | |
| (7) Ambiance - consider the atmosphere and positive feeling of the room. | | 5 | |
| (8) Alcoholic beverage quality - consider "well stock," premium brands, back bar and mixes. | | 2 | |
| SUBTOTAL | | 55 | |
| TOTAL SCORE SECTION 1.B | | 315 | |
| C. CUSTOMER'S INPUT | | | |
| 1. <u>Management responds to customer's wishes</u> - recent customer survey including focus groups and comment cards show customers' interests and their expression of satisfaction with club operations. Management can demonstrate changes made which respond to customers' expressions made in the survey. | | | |
| <u>CUSTOMER SURVEY SHOWS</u> | | | |
| Food and Beverage | | | |
| Interests | | 3 | |
| Satisfaction | | 7 | |
| Positive Management Response | | 10 | |
| Special Events | | | |
| Interests | | 2 | |
| Satisfaction | | 3 | |
| Positive Management Response | | 5 | |

SECTION I.

| THE CUSTOMER'S PERSPECTIVE | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------|----------------------------|
| C. CUSTOMER'S INPUT (cont'd) | | |
| 1. <u>Management Responds (cont'd)</u> | | |
| Programming | | |
| Interests | 3 | |
| Satisfaction | 7 | |
| Positive Management Response | 10 | |
| Other Services | | |
| Interests | 2 | |
| Satisfaction | 3 | |
| Positive Management Response | 5 | |
| Survey age is 1 year or less | 5 | |
| 2. <u>Management handles complaints</u> to the customer's satisfaction. | 5 | |
| 3. <u>Club Environment</u> promotes social interaction w/o fear of provocation. | 5 | |
| 4. <u>Customer Survey Rating</u> - Conduct a survey of not less than 60 customers, who are asked to rate the club using the survey form on page 10. Respondents should include at least 80% military. Solicit 40% of survey respondents at BOQ/BEQ, Rec, NEX, etc. | | |
| SCORING: <u>Total points</u> x 12 = Score People surveyed | 60 | |
| TOTAL SCORE SECTION 1.C | 135 | |
| SECTION I SUBTOTAL | 525 | |

CUSTOMER SURVEY FORMAT

Please rate the _____ club from 1 to 5 on the following ("5" being the highest):

1. Is the dining room and lounge area attractive, clean and neat? (1) (2) (3) (4) (5)
2. Is the service efficient, timely and pleasant? (1) (2) (3) (4) (5)
3. Is the food tasteful, of consistent quality and attractive? (1) (2) (3) (4) (5)
4. Does the menu offer the selection and value you prefer? (1) (2) (3) (4) (5)
5. Would you recommend this club to your family and friends? (1) (2) (3) (4) (5)

AVERAGE SCORE (Total Score/5) = _____

SECTION II.

| PROGRAMMING AND MARKETING | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------|----------------------------|
| A. THE MARKET | | |
| 1. <u>Demographics of Customer Base</u> - Management keeps on file a Documentation of the customer base Demographics. | 5 | |
| 2. <u>Marketing Effort Aimed at Target Population</u> - Marketing plan shows Positive relationship between the Marketing effort and target Population. | 20 | |
| 3. <u>Written Annual Marketing Plan,</u> using BUPERS Marketing Guide and Smart Compass documents, is in place, used, and updated quarterly. | 5 | |
| 4. <u>Self-Inspection</u> using Navy Club Operating Standards checklist completed by management annually. | 5 | |
| SUBTOTAL | 35 | |
| 5. <u>Competition Assessment</u> - Activity has on file a survey assessing its competition. The survey should include prices, comments on service(s), and actions taken to adjust to or neutralize competition. | | |
| <u>COMPETITION SURVEY</u> | | |
| Food and Beverage | | |
| Competitor Pricing | 2 | |
| Service/Comments | 2 | |
| Counter Measures | 3 | |
| Special Events | | |
| Competitor Pricing | 1 | |
| Service/Comments | 1 | |
| Counter Measures | 2 | |
| SUBTOTAL | 11 | |

SECTION II.

| PROGRAMMING AND MARKETING | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|-------------|--------------------|----------------------------|
| A. THE MARKET (cont'd) | | | |
| 5. Competition Assessment (cont'd) | | | |
| Programming | | | |
| Competitor Pricing | | 1 | |
| Service/Comments | | 1 | |
| Counter Measures | | 2 | |
| Other Services | | | |
| Competitor Pricing | | 1 | |
| Service/Comments | | 1 | |
| Counter Measures | | 2 | |
| Survey age is 1.0 year or less | | 4 | |
| SUBTOTAL | | 12 | |
| TOTAL SCORE SECTION II.A | | 58 | |
| B. SPECIAL EVENTS, PROGRAMS, PROMOTIONS | | | |
| 1. Club Sponsored Special Events and Programs | | | |
| - Consider special events such as dinner theaters, holiday events and other dining or entertainment functions that require a lot of planning. <u>Do not</u> consider catered events, happy hours or entertainment <u>unless</u> they have unique qualities or compelling characteristics. | | | |
| - Consider programs regularly scheduled such as aerobic classes, dart/pool/card tournaments, bridge clubs, bingo, lip sync or trivia contests, amateur nights, etc. | | | |
| <u>SCORING:</u> | | | |
| 1 to 3 points for Special Events (SE) 12 max | | | |
| 1 to 6 points for Programs (P) 6 max | | | |
| <u>DATE</u> | <u>SE/P</u> | <u>DESCRIPTION</u> | |
| | SE | | 3 |
| | SE | | 3 |
| | SE | | 3 |

SECTION II.

| PROGRAMMING AND MARKETING | | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------------|---------------------------|--------------|----------------------------|
| B. SPECIAL EVENTS, PROGRAMS, PROMOTIONS (cont'd) | | | | |
| 1. <u>Club Sponsored Special Events and Programs (cont'd)</u> | | | | |
| <u>DATE</u> | <u>SE/P</u> | <u>DESCRIPTION</u> | | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | SE | | 3 | |
| | P | | 6 | |
| | P | | 6 | |
| | P | | 6 | |
| | P | | 6 | |
| | P | | 6 | |
| | P | | 6 | |
| SUBTOTAL | | | 72 | |
| 2. <u>The Club Offers New Services</u> - Consider services initiated or substantially modified within the past year such as fast-food lines, omelet or salad bar programming changes, off-premise catering equipment rental, new deli or pizza delivery, etc. Are they demand-driven? | | | | |

SECTION II.

| PROGRAMMING AND MARKETING | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|------------------------|--------------|----------------------------|
| B. SPECIAL EVENTS, PROGRAMS, PROMOTIONS (cont'd) | | | |
| 2. <u>The Club Offers New Services (cont'd)</u> | | | |
| SCORING: | | | |
| 1 to 4 points each new (N) or modified (M) service. | | | |
| <u>DATE</u> | <u>N/M DESCRIPTION</u> | | |
| | N/M | 4 | |
| | N/M | 4 | |
| | N/M | 4 | |
| | N/M | 4 | |
| | N/M | 4 | |
| | SUBTOTAL | 20 | |
| 3. <u>Promotions</u> - Giveaways or reduced prices are offered, e.g., dinner specials, happy hours, free snacks, hors d'oeuvres, corsages, "early bird" reductions, free sodas for designated drivers, etc. | | | |
| SCORING: | | | |
| 2 points per promotion type. | | | |
| <u>DATE</u> | <u>DESCRIPTION</u> | | |
| - | | 2 | |
| - | | 2 | |
| - | | 2 | |
| - | | 2 | |
| - | | 2 | |
| - | | 2 | |
| | SUBTOTAL | 12 | |

SECTION II.

| PROGRAMMING AND MARKETING | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|--------------|----------------------------|
| B. SPECIAL EVENTS, PROGRAMS, PROMOTIONS (cont'd) | | |
| 4. <u>Entertainment</u> Standards are being adhered to, as outlined in BUPERSINST 1710.13A. | | |
| a. Appropriate standards of discretion, modesty and good taste are used in the selection of all club entertainment. | 4 | |
| b. Entertainment is suitable for typical mixed community audience. | 4 | |
| c. Private party entertainment meets club standards and is Approved by the club manager. | 4 | |
| SUBTOTAL | 12 | |
| TOTAL SCORE SECTION II.B | 116 | |
| C. PUBLICITY | | |
| 1. <u>Publicity Vehicles and Locations</u> - This item should be scored, to the extent possible, by "seeing" the publicity item at its place of distribution, e.g., "seeing" a flier in a bowling alley, a sign in a club, or a poster in a Navy Exchange or BOQ/BEQ. | | |
| a. Vehicle | | |
| Bulletin/Calendar | 3 | |
| Fliers | 2 | |
| Marquee | 2 | |
| Posters/Signs | 2 | |
| Other (Specify) | 2 | |
| b. Outlet | | |
| BOQ/BEQ | 2 | |
| Club | 2 | |
| Commissary | 2 | |
| Family Services Office | 2 | |
| Mailing List | 3 | |

SECTION II.

| PROGRAMMING AND MARKETING | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|--------------|----------------------------|
| C. PUBLICITY (cont'd) | | |
| 1. Publicity Vehicles (cont'd) | | |
| NEX | 2 | |
| MWR Outlets | 1 | |
| Other (Specify) | 2 | |
| SUBTOTAL | 27 | |
| 2. <u>Quality of Publicity</u> - Promotional materials are attractive, imaginative, and answer the questions "What? - When? - Where? - Who is invited? - Cost?" | 7 | |
| 3. <u>Timeliness of Publicity</u> - It is routinely distributed 2-4 weeks before the event, with follow-up publicity 1-2 weeks before the event and final publicity 1-4 days before the event. | 5 | |
| 4. <u>Aging of Publicity</u> - It is removed within 24 hours following the event. | 2 | |
| TOTAL SCORE SECTION II.C | 41 | |
| SECTION II SUBTOTAL | 215 | |

SECTION III.

OTHER CONSIDERATIONS

| | | |
|--|---|--|
| A. FINANCIAL | | |
| 1. <u>NAF Budgets:</u> | | |
| a. Current | 2 | |
| b. Complete | 2 | |
| c. Approved | 2 | |
| d. Variance from budgeted revenue and expenses averages 10 percent or Less and is documented monthly. | 4 | |

SECTION III.

| OTHER CONSIDERATIONS | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------|----------------------------|
| A. FINANCIAL (cont'd) | | |
| 1. NAF Budgets (cont'd) | | |
| e. Operational adjustments are made When variance exceeds 10 percent. | 2 | |
| f. Annual review of all services and programs is conducted to Assess cost-effectiveness. | 2 | |
| g. Written plan to ensure programmed fixed asset and minor property renewal and replacement requirements. | 1 | |
| SUBTOTAL | 15 | |
| 2. <u>Annual Budget Goals:</u> | | |
| a. Is visible for employees. | 4 | |
| b. Progress achieving them is shown. | 3 | |
| c. Developed with employee participation. | 3 | |
| SUBTOTAL | 10 | |
| 3. <u>Facility and Equipment</u> | | |
| a. Facility improvement plan | | |
| (1) Approved 5-year plan exists Which is less than 1.5 years old (or has been updated within that Period). | 2 | |
| (2) Incorporated into the Master Plan. | 2 | |
| (3) Resource requirements identified in appropriate APF/NAF budgets, including out years. | 2 | |

SECTION III.

| OTHER CONSIDERATIONS | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|--------------|----------------------------|
| A. FINANCIAL (cont'd) | | |
| 3. Facility and Equipment (cont'd) | | |
| b. Equipment | | |
| (1) Arrangement of equipment allows for efficient work flow. | 2 | |
| (2) Proper storage or disposal of Excess furniture and equipment. | 2 | |
| (3) Preventive maintenance of Equipment - performed according to Schedule. | 2 | |
| (4) Documentation of action taken to correct furniture, fixtures, and Equipment malfunctions or defects. | 2 | |
| (5) Comprehensive checklist is used on a regular basis to conduct walk-through inspections of each food and beverage facility. | 3 | |
| c. Productive and cost-efficient use of all equipment and facility areas. | 3 | |
| SUBTOTAL | 20 | |
| 4. Overall Profitability - Net profit will be scored as shown below. | | |
| <u>NET PROFIT POINTS</u> | | |
| Loss 0 * | | |
| 0+ to 4.9% 10 | | |
| 5.0% to 6.5% 40 | | |
| 6.6% to 7.9% 55 | | |
| more than 8.0% 65 | | |

NOTE (*) Clubs operating at a loss in past fiscal year or current year-to-date cannot be nominated for any accreditation.

SECTION III.

| OTHER CONSIDERATIONS | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|---------------|--------------|----------------------------|
| A. FINANCIAL (cont'd) | | | |
| 5. <u>Bar Profitability</u> - Net department bar Profit will be scored as shown below. | | | |
| <u>COGS %</u> | <u>POINTS</u> | | |
| 25 or less | | 4 | |
| <u>DIRECT LABOR %</u> | <u>POINTS</u> | | |
| 25 or less | | 4 | |
| <u>NET PROFIT %</u> | <u>POINTS</u> | | |
| 20.0 to 21.9 | 1 | | |
| 22.0 to 23.9 | 2 | | |
| 24.0 to 25.9 | 3 | | |
| 26.0 to 27.9 | 4 | | |
| 28.0 to 29.9 | 5 | | |
| 30.0 to 31.9 | 6 | | |
| 32.0 and more | | 7 | |
| NOTE: For all financial evaluations in this section, use the previous fiscal year data. | | | |
| 6. <u>Food Profitability</u> - Net department food profit will be scored as shown below. | | | |
| <u>COGS %</u> | <u>POINTS</u> | | |
| 40 or less | | 4 | |
| <u>DIRECT LABOR %</u> | <u>POINTS</u> | | |
| 40 or less | | 4 | |
| <u>NET PROFIT %</u> | <u>POINTS</u> | | |
| 0 to 4.9 | 2 | | |
| 5.0 to 6.9 | 4 | | |
| 7.0 to 9.9 | 6 | | |
| 10.0 and more | | 7 | |
| 7. <u>Monthly Inventory Turnover Ratio</u> - or Current Month Turn or Year-To-Date Turn to be 2:1 in CONUS and at least .75:1 OCONUS. | | | |
| | | 4 | |

SECTION III.

| OTHER CONSIDERATIONS | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------|----------------------------|
| A. FINANCIAL (cont'd) | | |
| 8. <u>BREAK EVEN POINT (BEP):</u> | | |
| a. Management establishes prices at least semi-annually using BEP analysis, financial standards, local competitive position and perceived value. | 3 | |
| b. Annual budget process includes plan of action for operations to achieve BEP plus 5 percent net profit margin. | 3 | |
| TOTAL SCORE SECTION III.A | 150 | |
| B. SANITATION | | |
| 1. <u>Average the ten most recent sanitation inspection scores</u> and compute the score from the table below. | | |
| <u>DATE</u> | <u>SCORE</u> | |
| a. | - | |
| b. | - | |
| c. | - | |
| d. | - | |
| e. | - | |
| f. | - | |
| g. | - | |
| h. | - | |
| i. | - | |
| j. | - | |
| Total Score =/10 | - | |
| Average Score = | - | |

SECTION III.

| OTHER CONSIDERATIONS | | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|---|---------------|--------------|----------------------------|
| B. SANITATION (cont'd) | | | |
| 1. <u>Sanitation inspection scores (cont'd)</u> | | | |
| <u>AVERAGE SCORE</u> | <u>POINTS</u> | | |
| 85.0 to 86.9 | 2 | | |
| 87.0 to 88.9 | 4 | | |
| 89.0 to 90.9 | 6 | | |
| 91.0 to 92.9 | 8 | | |
| 93.0 to 94.9 | 10 | | |
| 95.0 and over | | 12 | |
| 2. <u>Conduct an on-site kitchen sanitation</u> | | | |
| Inspection including storage/warehouse Areas - consider cleanliness, orderliness, safety and fire protection. | | 12 | |
| 3. <u>No violation</u> appears on more than two consecutive reports. | | 3 | |
| 4. <u>No score</u> below 75%. | | 3 | |
| TOTAL SCORE SECTION III.B | | 30 | |
| C. PERSONNEL AND GENERAL MANAGEMENT | | | |
| 1. <u>Management Policies</u> | | | |
| (a) Written performance standards and regulations are explained to all employees, e.g., sexual harassment and standards of conduct. | | 5 | |
| (b) Document/Verify | | | |
| - Retail Accountability | | 5 | |
| - High-cost/sensitive item inventory | | 5 | |
| - Guest Check Accountability | | 5 | |
| - Cash payment receipts | | 5 | |
| - Party contracts prepared and signed | | 5 | |
| (c) Written specs are used for the purchase of all food, beverage and related supplies and, where fitting, are bid competitively. | | 3 | |
| (d) Club Manager approves in writing the selection of all club staff. | | 2 | |

SECTION III.

| OTHER CONSIDERATIONS | MAX SCORE | ACHIEVED SCORE/COMMENTS |
|--|--------------|----------------------------|
| C. PERSONNEL AND GENERAL MANAGEMENT (cont'd) | | |
| 1. <u>Management Policies (cont'd)</u> | | |
| (e) Standard Operating Procedures are written for services and programs and are accessible to personnel concerned. | 3 | |
| (f) Employees are aware of their job descriptions and assigned tasks through food production sheets and employees' daily/weekly/monthly schedules. | 2 | |
| SUBTOTAL | 40 | |
| 2. <u>Staff Development</u> | | |
| (a) Orientation sessions and meetings are conducted at least once a month. | 5 | |
| (b) Staff training for improved job performance is scheduled/documented to include fraud waste and abuse. | 10 | |
| (c) Organizational orientation for all employees is given, documented and maintained by management. | 5 | |
| (d) In-house training for safety and responsible alcohol service. | 5 | |
| (e) Club Manager has completed Navy Club Management Course within the first year after employment. | 5 | |
| (f) Club Manager has completed Armed Forces Culinary Upgrade Program within the first 2 years after employment. | 5 | |
| (g) Club Manager and key management staff have attended one outside professional development event in past year. | 5 | |
| SUBTOTAL | 40 | |
| TOTAL SCORE SECTION III.C | 80 | |
| SECTION III SUBTOTAL | 260 | |

SAMPLE ENTERTAINMENT CONTRACT

1. This contract is entered into as of _____ 19____, by and between the U. S. Navy (Name of Club) located at _____ and hereinafter called the club, by and through its duly authorized contracting Officer and (Name of Group Leader), hereinafter called the contractor, by and through its duly authorized agent or person authorized to contract for said group or leader. It is agreed that all payment for services rendered will be made payable to_____.
2. The specific time and place for the performance of this contract are (Hour) to (Hour) hours, (Date) and (Name of Club) located at (Location).
3. The nature of the services to be performed and/or furnished by the contractor is entertainment consisting of (No.) act(s) composed of (one person) (a group of (No.) persons) as follows: Singers, Instrumentalist, Name Entertainers, etc.). The specific type of entertainment to be furnished by the contractor is_____.
4. Payment for the services to be rendered hereunder shall be made by the Contracting Officer or a designee in lump sum in the amount of (Written) dollars (\$), within_____ days after the completion of said services or (Specify Other Arrangements). Payment shall be by a check signed by the treasurer of the club and shall be payable only after signature by the Contracting Officer or a designee attesting that the said services have been satisfactorily rendered. The contractor is under no obligation to cash the check by which payment is made. Payment shall be made to the leader of the group if more than one person is required for the services hereunder, and payment in full to the leader shall satisfy the total responsibility of the club to the individual musicians. The amount specified in this paragraph is the total sum for which the club shall be liable to the leader and musicians hereunder. No other remuneration in the form of transportation, food, or lodging is included unless made a part of this contract.
5. The musicians are engaged severally under the terms and conditions on the face thereof. The contractor represents that the musicians already designated have agreed to be bound by said terms and conditions. Each musician yet to be chosen, upon acceptance, shall be bound by said terms and conditions. Each musician may enforce this agreement. The musicians severally agree to render services under the leader.

6. Definitions: (a) As used in this contract, the term "Contracting Officer" means the person executing or administering the contract on behalf of the nonappropriated fund which is a party hereto, or "That person's" successor or successors. (b) As used in this contract, the term "Contractor" means the leader or other person executing this contract on behalf of the entertainers who are parties to this contract.

7. Nonappropriated Fund Instrumentality. The club is an instrumentality of the United States Government. However, no appropriated funds of the United States shall become due or be paid by reason of this contract.

8. Equal Opportunity for employees and applicants for employment by the contractor will be governed by the Equal Opportunity clause attached hereto as EXHIBIT A and made a part hereof.

9. The Contracting Officer shall at all times have complete supervision, direction, and control over the services of musicians on this engagement and expressly reserves the right to control the manner, means, and details of the performance of services by the musicians, including the leader, as well as the ends to be accomplished. If any musicians have not been chosen upon the signing of this contract, the contractor shall, consistent with any instructions of the Contracting Officer, hire such persons and any replacements as are required.

10. The leader and each musician shall at all times while on (Name of Station), conduct themselves in a proper, acceptable manner and shall observe all rules and regulations of the Commanding Officer, (Name of Station) and the United States. The leader shall, at the direction of the Contracting Officer, enforce disciplinary measures for just cause.

11. None of the persons hired hereunder will enter into any subcontract for performance of the services they are to render hereunder without the written consent of the Contracting Officer.

12. Disputes

a. Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce that decision to writing and mail or otherwise furnish a copy thereof to the contractor. The decision of the Contracting Officer shall be final and conclusive unless within 30 days from the date of receipt of such copy, the contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Secretary of the Navy. The decision of the Secretary or a duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or

capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

b. This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph a above: Provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

13. Conduct. The leader will ensure that the following conditions are met by all musicians prior to, during, and after the engagement while within the premises of the place of performance (Contracting Officer will insert here items that may be covered; drinking or smoking on stage; use of the club facilities - dining room and bar; bringing guests into club for socializing - managers, relatives, etc.).

14. The agreement of the leader and musicians to perform is subject to proven detention by sudden, serious illness, accidents, riots, strikes, threatened epidemics, Acts of God, or any other legitimate conditions completely beyond their control. This contract may be terminated by the Contracting Officer, without notice, (a) in the event of riots, threatened epidemics, Acts of God, or any unforeseen occurrence which makes it impossible for the club to provide a facility for the presentation of the entertainment which is the subject of this contract; (b) in the event that the (Name of Station) or its successor is deactivated; (c) in the event that the club or its successors(s) should by directive of higher headquarters cease to operate; or (d) in the event that the requirements of paragraph 2 of this contract are not met. The following conduct while on the Navy installation, on the part of the leader or a musician, shall likewise be grounds for termination of this contract: theft, tardiness preventing timely starting of the performance hereunder, indecency or obscenity, drunkenness, being under the influence of narcotics, or hallucinatory drugs, absence without good cause, or such violation of the rules and regulations of the Commanding Officer (Name of Station) or the United States Navy, as threaten a breach of national security. This contract (may not be otherwise terminated) (may be terminated at the option of either party with _____ days notice to the other). Notice by or to the leader shall constitute notice by or to each of the musicians. In

the event this contract is terminated or performance is excused, for any of the reasons specified in this paragraph, no money shall be due or payable by the club by reason of this contract.

15. The contractor, as part of the payment for the services to be rendered under this contract, agrees to obtain from the copyright owners, or their agents, the performing rights societies, i.e., the American Society of Composers, Authors and Publishers (ASCAP), and Broadcast Music, Inc. (BMI), licenses in all copyrighted works to be performed under this contract. Furthermore, the contractor agrees to indemnify and hold harmless, including attorney fees and court costs, the United States Government and NAFI from all claims of copyright infringement arising out of the performance of this contract.

16. It is mutually understood and agreed by the parties hereto that there are no verbal or other agreements in additions to, or in contradiction of, the terms and provisions herein set forth.

17. This contract can be amended, supplemented, or modified only by supplemental agreement in writing and signed by the parties.

18. Optional Clauses

a. No performance on the engagement shall be recorded, reproduced, or transmitted from the place of performance, in any manner or by any means whatsoever, in the absence of a specific written agreement with (person or organization designated by the contractor) relating to and permitting each recording, reproduction, or transmission.

b. Representative of (labor organization) shall have access to the place of performance for the purpose of conferring with their members, consistent with applicable rules and regulations of the Commanding Officer, (Name of Station), and the United States Navy.

| | |
|------------------------------|-------------------------------|
| For the Club_____ | For the Contractor_____ |
| _____ (Print Name of Rep) | _____ (Print Name of Rep.) |
| _____ (Tel. No.) | _____ (Tel. No.) |
| _____ (Signature-Rep) | _____ (Signature-Rep) |
| _____ (Date) | _____ (Date) |

(Street Address)

(City, State, Zip)

All terms of contract fulfilled and performance accomplished. Payment is authorized in accordance with paragraph 4.

Club Manager (Treasurer) Date

EXHIBIT A

EQUAL OPPORTUNITY CLAUSE FOR ENTERTAINMENT CONTRACTS

During the performance of this contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The contractor will send to each labor union or representative of workers holding a collective bargaining agreement or other contractors, a notice to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the contractor's commitments under this Equal Opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and by the rules, regulations, and orders of the Secretary of Labor or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and

the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Contractor's noncompliance with the Equal Opportunity clause of this contract or with any of said rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part, and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965 as amended by Executive Order 11375 of October 13, 1967, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967 so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

Request for Permission to Conduct a Promotional Activity

Activity_____ Date_____

Name and Address of Organization Conducting Promotion

Date of Event_____ Time of Event_____

Description of Promotion (Include estimated cost)

Sample

Certification

The sponsoring organization will not be granted any special concession or privilege, nor will the firm or its donation be acknowledged publicly.

Agent/Owner of Organization

Club Manager

Approved

Disapproved

Commanding Officer

**GUIDELINES FOR THE COMPLETION OF THE
DECENTRALIZED MESS FINANCIAL STATEMENT**

1. Introduction. These guidelines are intended to establish uniform procedures necessary for the completion and submission of the Decentralized Mess Financial Statement by all activities maintaining a Decentralized Mess but not reporting financial data under RAMCAS. These procedures represent a single-entry cash basis system of accounting and will enable each activity to reflect its financial transaction during a specified period, as well as accurately representing its current financial condition.

2. General Instructions

a. The Decentralized Mess Financial Statement must reflect ALL income and expenses incurred by the mess during the reporting period. All entries shall be recorded in U.S. dollars. DO NOT include income which is due but not received, or expenses which are owed but not paid at the end of the period.

b. Line titles/descriptions must be adhered to whenever possible. Those items of income and expense which are not listed on the financial statement will be shown under the captions Other Income (Line 3) and Other Expense (Line 11), with a breakdown included as an addendum to the financial statement.

3. Preparation of the Decentralized Mess Financial Statement

a. The headings on the financial statement will be filled out as follows:

(1) Reporting Activity: Decentralized Mess - Identify by command designation and geographic location (mailing address). (For example, Commander Operational Test and Evaluation Force, Norfolk, VA 23511-6388). Include the appropriate Unit Identification Code (UIC) in the space provided.

(2) Period Ending: Enter 30 September 199X or date of disestablishment of the mess, as appropriate. (For interim statements, reflect the appropriate statement preparation date).

b. The INCOME AND EXPENSE STATEMENT will be completed as follows:

Line 1: NET WORTH (CASH) BROUGHT FORWARD BEGINNING OF PERIOD.
Enter the net worth (cash) figure brought forward from the end of the period financial statement. (The Net Worth figure would not change between the end of one fiscal year and the beginning of another). Activities reporting for the first time will fill in a "zero" on this line.

Line 2: RESALE OPERATION INCOME. Enter revenue derived from food and beverage sales.

Line 3: OTHER INCOME. Enter the income received in the mess which is not included in the resale operation income account. A breakdown description and dollar amount of all items reflected in this category MUST BE INCLUDED as an addendum to the Decentralized Mess Financial Statement.

Line 4: TOTAL CASH RECEIPTS. Show the total of lines 2 and 3. The total must represent the total income received from all sources during the period.

Line 5: RESALE MERCHANDISE PURCHASED. Enter the total dollar value, AT COST, of all merchandise purchased for resale.

Line 6: SALARIES AND WAGES EXPENDITURES. Enter the total of all salaries and wages (Direct, General and administrative, and Maintenance), employee benefit costs, employer FICA, other contributions, other payroll taxes, and employee incentive awards actually paid during the period.

Line 7: REPAIR AND MAINTENANCE EXPENDITURES. Enter the total disbursements in the maintenance, repair, and servicing of all Decentralized Mess equipment and vehicles during the period.

Line 8: LAUNDRY. Enter the total amount disbursed for laundry expenses in the Decentralized Mess.

Line 9: EXPENDABLE PROPERTY/SUPPLIES EXPENSE. All property and supplies with a unit cost of less than \$ 300 which were purchased during the period will be reflected in this line. Do not include resale items (which are reported on Line 5).

Line 10: NON EXPENDABLE PROPERTY EXPENSE. Enter the total disbursements for property purchased during the period with an acquisition value of \$ 300 or more. Expenses related to transportation/shipping/freight charges associated with such property purchases should be included on this line. Transportation charges incident to "no cost" equipment/property (i.e., property acquired where no acquisition cost was incurred by the Decentralized Mess) should be reflected on line 11, Other Expense.

Line 11: OTHER EXPENSE. Enter all expenses paid during the period which are not included in other expense lines. A breakdown by description and dollar amount of all items reflected in this category MUST BE INCLUDED as an addendum to the Decentralized Mess Financial Statement.

Line 12: TOTAL CASH EXPENDITURES. This line reflects the sum of lines 5 through 11 and includes all cash expenditures by the Decentralized Mess during the period.

Line 13: NET WORTH (CASH) AT END OF PERIOD. The amount reflected on this line is derived by subtracting line 12 from the sum of lines 1 and 4. This total must represent the actual cash position of the Decentralized Mess at the end of the period, and will be shown on line 1 of the succeeding period statement. (If this total does not agree with the end of period cash position of the Decentralized Mess (line 18), either a computation error exists on the statement or erroneous records were maintained during the period).

c. The RECAPITULATION OF NET WORTH section will be completed as follows:

Line 14: GENERAL CHECKING ACCOUNT. Report the amount of nonappropriated funds of the Decentralized Mess on deposit in a regular bank checking account or a special bank checking account as of the last day of the period.

Line 15: SAVINGS ACCOUNT. Report the amount of nonappropriated funds of the Decentralized Mess on deposit in bank savings account(s) and/or other interest-bearing account.

Line 16: PETTY CASH FUND. Report the amount of cash on hand in the petty cash fund as of the last day of the period. This fund will be maintained per paragraph 806 of NAVSO P-3520, "Financial Management Policies and Procedures for Morale, Welfare and Recreation Programs."

Line 17: UNDEPOSITED CHECKS/CASH ON HAND. This line will reflect the amount of cash on hand by actual count on the last day of the reporting period.

Line 18: TOTAL NET WORTH (CASH) CARRIED FORWARD. The amount reflected under this caption must accurately represent the total cash position of the Decentralized Mess at the end of the period and is derived by adding the totals of lines 14 through 17. The total in this line must equal the figure shown on both lines 13 and 22, NET WORTH (CASH) AT END OF PERIOD.

d. The RECONCILIATION OF CASH TRANSACTIONS section will be completed as follows:

Line 19: NET WORTH (CASH) BROUGHT FORWARD BEGINNING OF PERIOD (amount of line 1). Enter the net worth (cash) figure which appears on line 1.

Line 20: TOTAL CASH RECEIPTS (from line 4). Enter that number which equates to the sum of lines 2 and 3.

Line 21: TOTAL CASH EXPENDITURES (from line 12). Enter that number which equates to the sum of lines 5 through 11.

Line 22: TOTAL NET WORTH (CASH) AT END OF PERIOD (line 19 plus line 20, minus line 21). This total represents the actual cash position of the Decentralized Mess at the end of the period. This total verifies the amount calculated for line 13 and will also provide a check on the accuracy of the amount calculated for line 18, Total Net Worth (Cash) Carried Forward.

e. The STATISTICAL DATA section will be completed as follows:

Line 23: MILITARY PAID FROM NONAPPROPRIATED FUNDS. Reflect the total number of part-time military (off-duty) personnel receiving remuneration from the Decentralized Mess as of the last day of the period.

Line 24: CIVILIANS PAID FROM NONAPPROPRIATED FUNDS. Reflect the total number of civilian personnel (full-time/part-time) employed by the Decentralized Mess as of the last day of the period.

Line 25: TOTAL NONEXPENDABLE PROPERTY. Reflect the total dollar acquisition cost of all nonexpendable property (property acquired with a unit cost of \$300 or more) procured from nonappropriated funds of the Decentralized Mess in both the current and prior fiscal year which is held at the end of the period. This amount must equal the total value of property on hand as shown on the Property/Equipment Inventory Record prescribed in "Financial Management Policies and Procedures for Morale, Welfare and Recreation Programs."

Line 26: TOTAL OPERATIONS TARGET (OPTAR) FUNDS DISBURSED FOR THE DECENTRALIZED MESS DURING CURRENT FISCAL YEAR. Reflect the total dollar amount of OPTAR (APF) funds the Command has disbursed in the current fiscal year for the Decentralized Mess.

4. Completion of the certification requirements on the Decentralized Mess Financial Statement must be met before the statement can be accepted or retained as an official document. Undated or unsigned statements will be returned to the originator for appropriate corrective action.

5. The guidance contained herein is not all inclusive. In the event assistance is required, questions may be addressed to the Fiscal Analysis Section, Financial Management Branch, Morale, Welfare and Recreation Division, Bureau of Naval Personnel.

| DECENTRALIZED MESS FINANCIAL STATEMENT SAMPLE FORMAT | | | | | | | | |
|--|---|--|--|------------------------|--|------|----|----|
| REPORTING ACTIVITY | | | | FOR FISCAL YEAR ENDING | | | | |
| | | | | ANNUAL REPORT | | MO | DA | YR |
| UIC <div style="border: 1px solid black; width: 100px; height: 15px; margin-top: 5px;"></div> | | | | ---OR--- | | | | |
| | | | | INTERIM REPORT | | MO | DA | YR |
| | | | | | | | | |
| LINE | INCOME AND EXPENSE STATEMENT | | | TOTALS | | LINE | | |
| 1 | NET WORTH (CASH) BROUGHT FORWARD BEGINNING OF PERIOD | | | \$ | | 1 | | |
| | CASH RECEIPTS | | | | | | | |
| 2 | RESALE OPERATION INCOME (FOOD & BEVERAGE) | | | \$ | | 2 | | |
| 3 | OTHER INCOME (ATTACH ADDENDUM) | | | | | 3 | | |
| 4 | TOTAL CASH RECEIPTS (Line 2 + Line 3) | | | \$ | | 4 | | |
| | CASH EXPENDITURES | | | | | | | |
| 5 | RESALE MERCHANDISE PURCHASED (FOOD & BEVERAGE) | | | \$ | | 5 | | |
| 6 | SALARIES AND WAGES | | | | | 6 | | |
| 7 | REPAIRS AND MAINTENANCE | | | | | 7 | | |
| 8 | LAUNDRY | | | | | 8 | | |
| 9 | EXPENDABLE PROPERTY/SUPPLIES EXPENSE | | | | | 9 | | |
| 10 | NON EXPENDABLE PROPERTY EXPENSE | | | | | 10 | | |
| 11 | OTHER EXPENSE (ATTACH ADDENDUM) | | | | | 11 | | |
| 12 | TOTAL CASH EXPENDITURES (Lines 5 thru 11) | | | \$ | | 12 | | |
| 13 | NET WORTH (CASH) AT END OF PERIOD (Lines 1+4 minus 12) | | | \$ | | 13 | | |

| DECENTRALIZED MESS FINANCIAL STATEMENT | | | | | | | | | |
|---|---|-----------|--|--|--|--|--|-----------|------|
| SAMPLE FORMAT | | | | | | | | | |
| LINE | RECAPITULATION OF NET WORTH (CASH) | TOTAL | | | | | | | LINE |
| 14 | GENERAL CHECKING ACCOUNT | \$ | | | | | | | 14 |
| 15 | SAVINGS ACCOUNT | | | | | | | | 15 |
| 16 | PETTY CASH FUND | | | | | | | | 16 |
| 17 | UNDEPOSITED CHECKS/CASH ON HAND | | | | | | | | 17 |
| 18 | TOTAL NET WORTH (CASH) CARRIED FORWARD Must equal the figures on Lines 13 & 22) | | | | | | | | 18 |
| | | | | | | | | | |
| LINE | RECONCILIATION OF CASH TRANSACTIONS | TOTAL | | | | | | | LINE |
| 19 | NET WORTH (CASH) BROUGHT FORWARD BEGINNING OF PERIOD (Line 1 amount) | \$ | | | | | | | 19 |
| 20 | TOTAL CASH RECEIPTS (Total Lines 2 & 3) | | | | | | | | 20 |
| 21 | TOTAL CASH EXPENDITURES (Total Lines 5 thru 11) | | | | | | | | 21 |
| 22 | TOTAL NET WORTH (CASH) AT END OF PERIOD (Lines 19 & 20 minus line 21) | \$ | | | | | | | 22 |
| | | | | | | | | | |
| STATISTICAL DATA | | | | | | | | | |
| | | FULL TIME | | | | | | PART-TIME | |
| 23 | MILITARY PAID FROM NONAPPROPRIATED FUNDS | | | | | | | | 23 |
| 24 | CIVILIANS PAID FROM NONAPPROPRIATED FUNDS | | | | | | | | 24 |
| 25 | TOTAL NONEXPENDABLE PROPERTY (Must equal total of property/equipment inventory record) | | | | | | | \$ | 25 |
| 26 | TOTAL OPTAR FUNDS DISBURSED FOR THE DECENTRALIZED MESS DURING CURRENT FY | | | | | | | \$ | 26 |
| | | | | | | | | | |
| CERTIFICATION | | | | | | | | | |
| <p>I certify that the Decentralized Mess Financial Statement (NAVPERS 1746/14 is correct and that there are no unreported receipts or expenditures.</p> <p>CUSTODIAN OR MEMBER OF AUDIT BOARD</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Signature)</p> </div> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Date)</p> </div> </div> <p>I, duly detailed, have audited the Decentralized Mess Financial Statement. I certify that it accurately represents the condition of the fund and that all disbursements are in accord with the existing regulations. Conditions are satisfactory except where noted.</p> <p>SENIOR MEMBER OF AUDIT BOARD</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Signature)</p> </div> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Date)</p> </div> </div> <p>APPROVED</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Commanding Officer Signature)</p> </div> <div style="width: 45%; text-align: center;"> <p>_____</p> <p>(Date)</p> </div> </div> | | | | | | | | | |

MEMORANDUM OF UNDERSTANDING (MOU) FOR RATIONS-IN-KIND (RIK)

Contract procedures for operating the RIK program by the Morale, Welfare and Recreation (MWR) Department, _____. The Commanding Officer, _____ has authorized the "_____ Facility" to operate a full service program for the essential feeding of all enlisted personnel, both Host and Tenant. Additionally, limited service will be provided by the _____ and the _____.

1. Purpose. The purpose of this MOU is to specify responsibilities and procedures for the operation of the RIK program to authorized personnel. The Commanding Officer and the MWR Director hereby set forth the following items of mutual agreement regarding the operation of RIK foodservice.

2. Operating Responsibility. The MWR Department assumes the responsibility for all food preparation, foodservice, facility maintenance, personnel/staffing organization and other tasks related to providing RIK foodservice.

a. The hours of operation for RIK meals shall be:

| | <u>Breakfast</u> | <u>Lunch</u> | <u>Dinner</u> |
|-------------------------|------------------|--------------|---------------|
| (1) Monday - Friday | _____ | _____ | _____ |
| (2) Sat, Sun & Holidays | _____ | _____ | _____ |

b. RIK meals will be served in accordance with the above hours each day of the year. The _____ will provide additional feeding in support of the military on duty and to provide a more varied menu plan.

c. Pursuant to Navy Supply (NAVSUP) standards, the MWR Department shall ensure that nutritionally balanced meals are available.

d. The facility serving RIK will clearly display what the RIK meal or meal choices are for all three serving periods.

e. The MWR facility providing RIK meal service will offer a basic menu at each meal with consideration for the amount of the Basic Daily Food Allowance (BDFA). RIK patrons will be given the option of selecting the basic RIK menu or other items as noted on the MWR food facility menu. In the event items are selected which are more costly than the basic RIK menu, the patron will be charged only the difference between the RIK set retail

cap and the posted menu price of the meal. Example: Retail caps are \$3.50 for breakfast, \$6 for lunch and \$8.50 for dinner. RIK patron selects luncheon entree item(s) totaling \$7.50. They must pay \$1.50 toward that meal. All RIK meals will include a non-alcoholic beverage at no charge. The patron will be required to sign the NAVSUP 1291 at each meal regardless of whether the basic RIK menu or other menu items were selected. The current retail cap by meal will be posted at the register.

3. Accounting and Billing Procedures

a. Payment to MWR for RIK meals at a food service facility will be supported by NAVSUP 1291 (Rev 2-72) which contains the signatures of personnel who received meals. A separate form will be prepared for each meal at each facility in which RIK meal service is offered. The MWR Department will be responsible for maintaining proper signature control for all meals. This includes ensuring individuals who sign for meals present a valid (same person/not expired) RIK pass ("meal pass") which has been issued by a Personnel Service Activity/Personnel Service Division (PSA/PSD). Attendants will be present to ensure eligible personnel sign the NAVSUP 1291 to substantiate meals provided. A separate form shall be used for breakfast, lunch, and dinner. A copy of each meal form shall be attached daily to the Daily Activity Report for turn-in to the accounting office. **Individuals on commuted rations, "COMRATS". [i.e., enlisted personnel on Basic Allowance for Subsistence (BAS)] will be required to pay the regular menu price and will not sign the NAVSUP 1291. ONLY RIK PERSONNEL SHALL SIGN THIS FORM.**

b. RIK personnel will not sign for another person's meal. All meals must be consumed within the _____ facility. Exceptions will be determined by the manager on duty regarding duty personnel and those Sick in Quarters or confined to quarters (e.g., the brig). This does not mean that a leftover portion of an individuals meal may not be taken to their quarters.

c. At the end of each month, the MWR Department shall prepare NAVCOMPT 2277, or DD 1149 or 1155, with a NAVSUP 1292 attached and turn it in to the comptroller for payment. These forms are completed to assist in determining the payment due the command. Upon receipt and approval, the comptroller shall, within 5 working days, forward them to NAVSUP for payment to the command. For NAVSUP 1292, total rations served is computed as follows:

(1) Number of RIK breakfasts served X 20 percent of current BDFA
= \$_____

(2) Number of RIK lunches served X 40 percent of current BDFA =
\$_____

(3) Number of RIK dinners served X 40 percent of current BDFA =
\$_____

(4) Total Daily Rations (BDFA) \$_____

The BDFA dollars is the compensation due the command and is not considered to be the compensation due MWR. The patron counts by meal period from the NAVSUP 1292 is used to calculate the food cost compensation due MWR.

4. Compensation

a. For providing RIK services, the MWR Department shall be compensated using the monthly variable and fixed costs listed below. Compensation shall consist of: a variable payment from the command for each meal signed for; and payment for all fixed costs. If the number of RIK personnel falls below the _____ level for 2 consecutive months, it will be necessary to recompute both variable and fixed costs. A meal pass listing shall be provided by the Officer-in-Charge, PSD, to the MWR Director on the ____ and ____ working day of each month.

(1) Variable

- Food cost \$_____
(Per Person)

Food cost is computed using the NAVSUP 1292 to determine the number of RIK patrons by meal period. If you used the retail caps given in the previous example (\$3.50 for breakfast, \$6 for lunch, and \$8.50 for dinner) and assumed a total food cost of 40 percent, then the command would reimburse you at the per person rate of \$1.40 breakfast, \$2.40 lunch, and \$3.40 dinner.

(2) Fixed Costs (costs for operations which would not exist, or would be less extensive without a RIK program.)

- Operations \$_____
 - Utilities
 - Labor
 - Supplies/Maintenance
 - Other Applicable Expenses

- Accounting \$_____
- Recapitalization _____ % (\$_____)

Monthly Total \$_____

b. Agreement. This agreement is made between the commanding officer and the MWR director. Any amendments or modifications to this document must be reviewed by the respective Echelon II prior to implementation. This agreement is to remain in effect for a minimum of 1 year and must be renewed at least triennially.

5. Prime Concern. A prime concern in providing RIK meals through the MWR department is that the quality and variety of meals served are totally satisfying. Similarly, sanitation standards and the dining atmosphere must be of the highest quality and standards. Frequent feedback from enlisted personnel on RIK is required to ensure satisfaction with this agreement (e.g., an adequate and responsive customer service suggestion program and an annually conducted customer satisfaction survey).

6. Officer of the Day (OOD) Meal Sampling. Duty officers will continue to provide meal sampling reports.

7. Reports. Semi-annual reports concerning facility conditions, serving practices, customer satisfaction and sanitation will be submitted by the MWR director to the commanding officer.

8. Audit. The local Internal Review Office shall conduct an annual audit of the operation of this agreement and provide recommendations for improvements to the commanding officer.

9. Termination Procedures. The Echelon II, with a copy to the Chief of Naval Personnel (Pers-65), is to be contacted prior to termination of the MOU.

10. Prompt Payment. The Prompt Payment Act is in effect for the duration of the MOU. The Echelon II and the Chief of Naval Personnel (Pers-65) will be notified of any late payment that exceeds 45 days.

11. Effective Date. This agreement is effective when signed by all parties concerned.

| | |
|--|---|
| _____ Signature (Date) Contracting Officer | _____ Signature (Date) MWR Director |
| _____ Signature (Date) Comptroller | _____ Signature (Date) PSD Officer |
| _____ Signature (Date) Commanding Officer | _____ Signature (Date) Echelon II |

ENLISTED DINING FACILITY (EDF) OPERATIONS GUIDE FOR MWR

A. INTRODUCTION

Assumption of the EDF function is a major responsibility. MWR's ability to provide the EDF function, based on the success of their current food and beverage operations, or their intention to hire professional personnel should be a primary consideration. Optimum benefits include enhanced service to the sailor, savings to base operating funds (OM&N), and a consistent flow of revenues to MWR.

B. AUTHORIZATION

Morale, Welfare and Recreation (MWR) activities interested in assuming responsibility for providing rations-in-kind (RIK) in MWR food and beverage operation are required to request chain of command approval before assuming this responsibility. Early coordination between the command, MWR, base supply officer, base comptroller, Echelon II, Chief of Naval Personnel (Pers-65) and Navy Foodservice Systems Office (NAVSUP) is critical. Pers-65 is the POC for assistance in arranging an MOU and ensuring that the MWR Department is capable of performing the EDF function, i.e., applicable number of food department personnel with necessary skills to perform the EDF function.

C. ARRANGEMENT

1. MWR assumes responsibility for the EDF function only and provides the meal service in one or more of the MWR food or food, beverage and entertainment facilities.

2. The arrangement requires a Memorandum of Understanding (MOU) between the command and MWR. The MOU addresses the specific functional arrangement that the command and MWR has agreed upon.

3. Approval is required from the respective Echelon II with coordination for technical assistance from the Chief of Naval Personnel (Pers-65) before any changes can be made to the signed MOU.

D. PROCEDURES AND GUIDELINES

1. Assess current contractual obligations the base may have with a foodservice contractor, e.g., Attendant's Contract.

2. Assess the overall capability of MWR to provide the EDF function. Chief of Naval Personnel (Pers-65) is available to assist in evaluating MWR's ability to provide the EDF function, to conduct market research, and to consult on location, menu and type of service. Areas that should be considered in the evaluation include:

a. Skill level of managerial personnel

b. Condition of facilities and equipment

c. Quality of current MWR food operations and customer satisfaction including:

(1) Profitability

(2) Sanitation

(3) Skill levels of personnel

(4) Quality of product and service

(5) Facility location and accessibility to majority of market.

3. Determine actual cost for current EDF operation per ration (NAVSUP or the local Supply Officer can assist).

4. Project MWR costs and return on investment to provide the EDF function. Consider both fixed and variable costs.

5. Define the delta/savings (i.e., difference between current costs of providing EDF services versus MWR costs to provide same).

6. Develop MOU between MWR and the commanding officer. Utilize the CNP (Pers-655) boilerplate MOU, in its entirety, between MWR and the command. Additional customization may be included.

7. Send a letter of request from the command to the Echelon II requesting closure of the EDF and establishment of the EDF function

within MWR, with a copy to Chief of Naval Personnel (Pers-65) and NAVSUP.

8. Develop menus with retail caps and types of services to be provided.

9. Develop an operational implementation plan.

10. Develop a marketing plan that includes plans for:

(a) transition period

(b) grand opening activities

(c) on-going advertising

(d) quality control program that includes customer comments cards, biannual customer surveys and annual financial reviews by local auditors.

E. RAMCAS ACCOUNTING

RAMCAS instruction will contain information on how to establish accounting procedures. Use NAVCOMPT Form 2277 to submit invoices for services in accordance with the MOU instructions.

F. CONTROLS

1. If local APF becomes insufficient to meet the payment requirement established by the MOU, MWR is not permitted to subsidize the RIK function with nonappropriated funds. Commands are responsible for paying MWR the amount agreed upon in the MOU on a monthly basis. Failure to do so could result in cancellation of the MOU and ultimately discontinuance of the EDF function by MWR.

2. Chief of Naval Personnel (Pers-65) POC office is the Club Branch at (C) 202-685-0500 or (DSN) 325-0500, FAX (C) 202-685-0629 or (DSN) 325-0629.

**Malfunction Payment/Attendant
Credit Payment Voucher**

Activity_____Date_____

Player's Name and Command:

Print Name

Command

Machine Number_____

Denomination: .05 .10 .25 (circle one)

Number of Coins Paid_____Value_____

Explain Malfunction:_____

Signatures:

Player

Verifier

Voucher Number_____

RESPONSIBILITIES OF THE GAMING DEVICE AUDIT BOARD

1. Objectives. The objectives of the audit board for gaming devices is to provide management at all levels with an independent, unbiased review and constructive evaluation of the effectiveness and efficiency with which managerial responsibilities are being fulfilled. Specific audit objectives are:

a. Determine that management controls at all levels are adequate in concept and effective in application.

b. Determine the degree of compliance with established policies and procedures.

c. Verify the existence of assets.

d. Verify and evaluate the reliability of the accounting and reporting system.

e. Objectively report findings and recommendations to management and command.

f. Follow-up on recommendations and evaluate results.

g. Check appointing letters to ensure individuals have been assigned specific duties (quarterly or when changes occur).

h. Observe coin collection procedures on surprise basis, preferably once a month.

2. Reports. Original copy of audit board reports submitted to the commanding officer, together with the action directed by the commanding officer, shall be retained in the command's central files for a period of at least 3 years following the year performed, and should be available for review by higher authority. Management shall be required to give prompt attention to audit board recommendations approved by the commanding officer and forward a written response of corrective action to the commanding officer within 10 calendar days of receipt of the report.

3. Working Papers

a. Working papers are the evidence of the audit board's work. A separate set of working papers will be established for each MWR

activity operating gaming devices. These are to be retained for 3 years.

b. The papers shall be completely indexed and securely fastened together with a cover sheet reflecting the names of the audit board members, the date the work was completed, and the period covered. Each working paper will show: (1) the name of the nonappropriated fund activity; (2) the name of the station; (3) the name of the account analyzed or phase examined; (4) the date and/or period reviewed; and (5) a description of the work performed in verification of the account or operations.

c. Working papers should be prepared according to the duties prescribed, analysis of entries made to the accounts and records, special tests made, etc. These papers, together with pertinent notes and memoranda, will serve as a basis for comment in the report to the commanding officer.

4. The following guide is provided as a minimum requirement to assist audit boards in carrying out their responsibilities. The guide may be expanded at the discretion of the commanding officer. Completed guide papers shall become a part of the working papers prescribed in paragraph 3.

a. The audit board will personally cite the following documents at the frequency indicated to ensure they are on-hand and current (items not applicable shall be marked N/A):

(1) Publications and Directives (Annually)

BUPERSINST 1710.11A

BUPERSINST 1710.13A

NAVSO P-3520

BUPERSINST 7043.1A

NAVMILPERSCOM ltr 7000 N-112/4022 of 25 June 1984

(2) Letters of Appointment and/or Policy Exception

Letters

Date

Letters authorizing gaming devices
(annually)

Current inventory list _____
(annually)

Letter designating employee or employees
Responsible for coin collections and
Games room attendant (malfunction and
Jackpot/royal flush verified). _____

Establishment of command observer
Responsibilities (quarterly) _____

Any letters authorizing policy exceptions
(quarterly) _____

(1) _____ (2) _____ (3) _____

b. Review gameroom operating procedures:

| | | <u>Yes</u> <u>Correct</u> | <u>No</u> <u>Incorrect</u> |
|--------------|--|------------------------------|-------------------------------|
| (1) | Are regulations for play posted? | _____ | _____ |
| (2) | Review command observer compliance with | | |
| Instruction: | | | |
| | (a) Has the command observer been Detailed in writing? | _____ | _____ |
| | (b) Has command observer been supplied with a written checklist of Responsibilities? | _____ | _____ |
| | (c) Are keys signed out by the duty Officer while they are in his or her Possession and signed back in after Collections are completed? | _____ | _____ |
| | (d) Does command observer record gaming Device meter readings? | _____ | _____ |
| | (e) Does the command observer record coin Counter meter readings? | _____ | _____ |

c. Review control of gaming device keys:

(1) Inventory each key and ensure that it is maintained in

its proper location, controlled, and accounted for.

Remarks:

| | Yes <u>Correct</u> | No <u>Incorrect</u> |
|--|-----------------------|------------------------|
|--|-----------------------|------------------------|

(2) Does a random selection of keys (10 percent Minimum) reveal that any single key opens more than the lock it was intended to open? If so, list the Machine, lock, and key numbers and take corrective Action. For activities authorized, a master key Fitting the locks for one gaming operation should not fit locks of any other gaming operation.

(3) If needed, are extra locks, seals, or bars used to safeguard coins in machines?

(4) Are machine casements locked right After meter readings are recorded?

d. Review coin collection procedures and control of change funds:

(1) Are required personnel present during the coin harvest?

(2) Is the coin counter meter accurate? Spot check by count at least 30 coins of each denomination.)

(3) Is tube/hopper money secured and accounted for separately when machine works are removed from game room for repair?

(4) Is there an authorized change fund, Established in writing, for use by gaming device cashiers and the central cashier?

- (5) Is a receipt obtained from each person in possession of any portion of the change fund? _____
- (6) Are combinations to safes holding gaming device funds known to only one individual? _____
- (7) Is responsibility fixed at all times regarding money? _____

e. Review jackpot Payout Control Sheets (hand paid jackpot only):

- (1) Are they pre-numbered and issued on a controlled basis? _____
- (2) Are machine numbers and the values of each jackpot won recorded? _____
- (3) Are blocks legibly completed? _____
- (4) Are sheets properly certified? _____
- (5) Are they attached to the Gaming Machine Income Report and Daily Activity Record as a supporting document? _____
- (6) Has management verified jackpot winners when variance occurred between jackpot meters and numbers of winners reflected on the Jackpot Payout Control Sheet? _____

f. Review malfunction Refund Vouchers:

- (1) Are they pre-numbered and issued on a controlled basis? _____
- (2) Are all blocks complete, correct, and legible? _____

- (3) Are they attached to the Gaming Device
Income Report and Daily Activity Record
As a supporting document? _____

g. Review Gaming Machine Income Report:

- (1) Are all blocks complete, correct,
and legible? _____

- (2) Are all signature blocks complete
as required? _____

- (3) Is the person having the responsibility
for determining gaming device income
restricted from handling cash? _____

h. Review machine maintenance procedures and records:

- (1) How many machines were out of order?
SLOT MACHINES: POKER MACHINES:
25 cents % 25 cents %
5 cents % 5 cents %

- (2) Are machines checked for malfunctions, holes
in case, tampering, etc.? _____

- (3) Is an on-site repair log being maintained
at each location? _____

- (4) Are all provisions concerning on-site
repairs being followed? _____

- (5) Is a Maintenance History Record maintained
at the central repair shop? _____

i. Review monthly and Historical Play Counter Records:

- (1) Are Monthly and Historical Play Counter
Records Properly maintained? _____

- (2) Are Monthly Play Counter totals recorded on
Historical Play counter
Sheet? _____

| | Yes <u>Correct</u> | No <u>Incorrect</u> |
|--|-----------------------|------------------------|
|--|-----------------------|------------------------|

- | | | | |
|-----|---|-------|-------|
| (3) | Based on the number of plays, are machine percentages within tolerance? para 615. | _____ | _____ |
| (4) | Are Monthly and Historical Play Counter Records reviewed by the gaming device supervisor? | _____ | _____ |

j. Review locally prepared monthly Gaming Machine Profit and Loss Statement:

- | | | | |
|-----|---|-------|-------|
| (1) | Are lines 1, 2, and 3 accurately recorded? | _____ | _____ |
| (2) | Are expenses shown for items 5 and 6 only those directly connected with gaming device operations as per para 617? | _____ | _____ |
| (3) | Are percentages and figures mathematically correct and verified against Navy standards for overall operations? | _____ | _____ |
| (4) | Is detailed information listed on reverse side (Items 5d and 6c)? | _____ | _____ |
| (5) | Are certifications complete? | _____ | _____ |

k. Maintenance Records

- | | | | |
|-----|--|-------|-------|
| (1) | Is all required information being recorded on Maintenance History Records? | _____ | _____ |
| (2) | Is a preventive maintenance program being followed? | _____ | _____ |
| (3) | Have gaming device repairmen been trained in gaming device maintenance and repair by authorized training course? | _____ | _____ |

| | Yes <u>Correct</u> | No <u>Incorrect</u> |
|--|-----------------------|------------------------|
| (4) Are spare parts located at the one authorized central repair shop? | _____ | _____ |
| (5) Are inventories of spare parts taken at regular intervals? | _____ | _____ |
| (6) Perform a random sample of gaming device parts and verify against stock record cards. | _____ | _____ |
| (7) Is authorization for disposition of gaming devices obtained from BUPERS prior to disposition? | _____ | _____ |
| (8) Is there a concerted effort made to solicit bids for excess machines before disposal? | _____ | _____ |
| (9) Are NAVCOMPT 2212, Certificates of Disposition, being prepared and certified properly when disposing of gaming devices? | _____ | _____ |
| (10) Perform a random sampling of gaming devices (minimum 10 percent) to review their reel structures. Do the reel structures comply with Navy Standard Reel Structures? | _____ | _____ |

I certify that the above procedures have been completed.

| | |
|------------------------------|------------|
| _____ | Date _____ |
| Senior Member of Audit Board | |

GAMING DEVICE COMMAND OBSERVER CHECKLIST

Time Start: _____ Date: _____
 Time Finish: _____

| | <u>YES</u> | <u>NO</u> |
|--|------------|-----------|
| 1. Ensure gameroom/area is secured during coin collections. | _____ | _____ |
| 2. a. Witness the opening of the machine casement. | _____ | _____ |
| b. Visually check meters and record meter readings. | _____ | _____ |
| c. Note and investigate differences between regular and special award meters and jackpots actually paid (hand paid jackpots only). | _____ | _____ |
| d. Spot check the machine for evidence of tampering or other misuse. | _____ | _____ |
| e. Ensure that loose coins in the casement go to the hopper. | _____ | _____ |
| f. If the hopper needs to be replenished, make a note of the machine. (For replenishment see 8 below). | _____ | _____ |
| g. Secure the casement of each machine not needing maintenance work. | _____ | _____ |
| NOTE: All step 2 procedures should be completed before moving on to the next machine. | | |
| 3. Maintain custody of casement keys. | _____ | _____ |
| 4. Notify mechanics to begin work on machine requiring maintenance. | _____ | _____ |
| 5. Issue keys to the stand and/or Cashbox locks. | _____ | _____ |

| | | <u>YES</u> | <u>NO</u> |
|----|--|------------|-----------|
| 6. | a. Witness the opening of each cashbox. | _____ | _____ |
| | b. Observe the dumping of coins from the cashbox into the coin counter. | _____ | _____ |
| | c. Visually check the coin counter and record the reading on the Cash Collection Sheet. | _____ | _____ |
| | d. Note and investigate differences Between cashbox meter reading and the actual coin count (automatic drop machines only). | _____ | _____ |
| | e. Total the individual cashbox counts and verify that the recount of all coins of the same denomination equals the individual counts. | _____ | _____ |
| | f. Verify that all cashboxes and stands are secured. | _____ | _____ |
| 7. | Maintain custody of required keys. | _____ | _____ |
| 8. | a. Observe the replenishment of those hopper units requiring replenishment. | _____ | _____ |
| | b. Verify that the replenishment is correctly recorded. | _____ | _____ |
| | c. Verify that the reason for the empty Hopper is recorded in the Emergency Repair Log. | _____ | _____ |
| | d. Lock the casements. | _____ | _____ |
| 9. | a. Check the meter reading of those machines which were left open during the coin count. | _____ | _____ |
| | b. Verify the entries in the Emergency Repair Log for machines receiving maintenance/repair and sign it. | _____ | _____ |

- | | <u>YES</u> | <u>NO</u> |
|--|------------|-----------|
| | _____ | _____ |
| 9. c. Lock the machine casements. | | |
| 10. Verify that the total cashbox income, total pay-outs, and gross income are recorded correctly on the final Gaming Machine Income Report and sign it and the Cash Collection Sheet. | _____ | _____ |
| 11. Before leaving the gameroom ensure machine cashboxes, stands, and casement are locked and that handles cannot be "free" pulled. | _____ | _____ |

I CERTIFY THAT THE ABOVE PROCEDURES HAVE BEEN COMPLETED

Date

Gaming Device Duty Officer

NOTE: The Cash Collection Data Sheet, Jackpot Payout Control Sheets, and Malfunction Refund Sheets should be turned into a records clerk, not to a cashier.

Hopper Refill Voucher

Activity_____Date_____

Machine Local and Serial Number:

Machine Number

Serial Number

Denomination: .05 .10 .25 (circle one)

Amount of Refill_____

Number of Coins_____ \$ Value_____

Remarks:_____

Signatures:

Activity Representative

Command Observer

Technician

Voucher Number_____

Coin Collection Summary A

ACTIVITY _____ DENOMINATION _____ DATE _____

| Machine Number | Meter Reading | | | | Coin Count | Dollar Value |
|-------------------|---------------|----------|---------|---------|---------------|-----------------|
| | Coin In | Coin Out | Cashbox | Jackpot | | |
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Total coin count and dollar
value (add columns) _____

Total recount of all coins
then multiply by denomination _____

Above readings and
figures verified
by:

CDO

Collector

Club
Representative

COIN COLLECTION SUMMARY B

DENOMINATION _____ ACTIVITY _____ DATE: _____

| MACHINE NUMBER | TEST PULLS | PLAY METER | METERED PLAYS | NUMBER OF COINS | CASH BOX % | REGULAR JACKPOT METER | METERED REGULAR JACKPOT PAID |
|-------------------|---------------|---------------|------------------|--------------------|---------------|-----------------------------|---------------------------------------|
| | | | | | | | |
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| | | | | | | | |
| | | | \$ | \$ | | | |
| | | | | | | | |
| | | | \$ | \$ | | | |
| COIN TOTAL | | | | | | | |

| MACHINE NUMBER | CASHIER PAID JACKPOT | DIFFERENCE (+/-) | SPECIAL AWARD METER | METERED SPECIAL AWARDS PAID | CASHIER PAID AWARDS | DIFFERENCE (+/-) | MISPLAY |
|-------------------|----------------------------|---------------------|---------------------------|--------------------------------------|---------------------------|---------------------|---------|
| | | | | | | | \$ |
| | | | | | | | \$ |
| | | | | | | | \$ |
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| | | | | | | | \$ |
| | | | | | | | \$ |
| | | | | | | | \$ |

DUTY OFFICER _____

COIN COLLECTOR _____

MANAGER _____

Change Fund Disbursement Sheet

SHEET NO. _____ DATE _____

CHANGE FUND:

1. Beginning Change Fund: \$ _____
2. Ending Change - Coin: \$ _____
3. Ending change - Currency: \$ _____
4. Total Ending Change (Line 2 plus 3): \$ _____
5. Adjusted Ending change Fund (Entered by Head Cashier): \$ _____

SLOT MACHINES:

6. Jackpot paid: \$ _____
7. Malfunctions paid: \$ _____
8. Coin Tube/Hopper refills: \$ _____
9. Total Deductions (Lines 6 through 8): \$ _____

POKER MACHINES:

10. Attendant paid: \$ _____
11. Attendant Credit: \$ _____
12. Malfunction paid: \$ _____
13. Hopper Refills: \$ _____
14. Total Deductions (Lines 10 through 13): \$ _____

TOTALS:

15. Total Deductions (Line 9 plus 14): \$ _____
16. Ending Total Change Fund (Line 4 plus 15): \$ _____
17. Cash Over/Under difference between Line 1 and 16 (+ or -): \$ _____

Prepared by: _____
(Cashier's Signature)

ENDING TOTAL CHANGE ADJUSTMENT:

This section is to be completed by Head Cashier and only when Attendant Credit (Line No. 11 above), is used.

18. Attendant Credit from Machine. (This amount represents reimbursement of attendant credit (Poker Machines) previously recorded and paid on line 1): \$ _____
19. Adjusted Total Deductions (Line 15 minus 18): \$ _____
20. Add Line 19 to Line 4 and enter amount on Line 5 above.

(Head Cashier's Signature)

GAMING MACHINE INCOME SHEET**SHEET NUMBER** _____**CHANGE FUND:**

1. Beginning Change Fund: \$ _____
 2. Ending Change - Coin: \$ _____
 3. Ending Change - Currency: \$ _____
 4. Total Ending Change (Line 2 plus line 3): \$ _____

SLOT MACHINES:

5. Jackpots paid: \$ _____
 6. Malfunctions paid: \$ _____
 7. Coin Tube/Hopper refills: \$ _____
 8. Total Deductions (Lines 5 through 7): \$ _____

POKER MACHINES:

9. Attendant paid: \$ _____
 10. Malfunction paid: \$ _____
 11. Hopper refills: \$ _____
 12. Total Deductions (Lines 9 through 11): \$ _____

TOTALS:

13. Ending Total (Lines 4 plus 8 plus 12): \$ _____
 14. Cash Over/Under, difference between line 1 and line 13 (+ or -): \$ _____

Prepared by: _____
 (Head Cashier's Signature)

COIN HARVEST DATA:

- | | Slot Machines | Poker Machines |
|--|----------------------|-----------------------|
| 15. Cash Box Income (Total amount of coins collected): | \$ _____ | \$ _____ |
| 16. Total Deductions: | \$ _____ | \$ _____ |
| 17. Gross Income (Line 15 minus line 16): | \$ _____ | \$ _____ |
| 18. Total Gaming Machine Income (Combined Gross Income (Line 17) of Slot/Poker Machines): | | \$ _____ |

 Signature of Command Representative

 Verifier, NAFI
 Representative

 Verifier, NAFI
 Representative

NOTE:

- a. Lines 1 through 14 shall be prepared prior to the commencement of each Coin Harvest.
 b. Totals shown on lines 5 through 14 are cumulative totals from all Change Fund Disbursements Reports since the last Coin Harvest.
 c. This report shall be signed by two NAFI Representative Verifiers.

IGT VIDEO POKER

MONTHLY SUMMARY

SERIAL/LOCAL NO. _____ ACTUAL DATES COVERED: _____ TO _____

| STATISTICAL DATA I | ENDING | BEGINNING | ACTUAL |
|--------------------------|--------|-----------|--------|
| 1. GAMES PLAYED (STROKE) | _____ | _____ | _____ |
| 2. MAX BET | _____ | _____ | _____ |
| 3. POWER UP | _____ | _____ | _____ |
| 4. DOOR CLOSED | _____ | _____ | _____ |
| 5. LOST | _____ | _____ | _____ |
| 6. WON | _____ | _____ | _____ |
| 7. DOUBLE LOST | _____ | _____ | _____ |
| 8. DOUBLE WON | _____ | _____ | _____ |
| 9. COINS IN | _____ | _____ | _____ |
| 10. COINS OUT | _____ | _____ | _____ |
| 11. DROP (CASH BOX) | _____ | _____ | _____ |
| 12. TURNOVER | _____ | _____ | _____ |
| 13. CREDITS OUT | _____ | _____ | _____ |
| 14. HAND PAID COINS | _____ | _____ | _____ |
| 15. PROGRESSIVE PAYS | _____ | _____ | _____ |

STATISTICAL DATA II

| | | | | | | | |
|--------------|-------|-------|-------|-----|-------|-------|-------|
| 1. COIN IN | _____ | _____ | _____ | RFM | _____ | _____ | _____ |
| 2. COIN IN | _____ | _____ | _____ | RF | _____ | _____ | _____ |
| SEQUENCE | _____ | _____ | _____ | 5KM | _____ | _____ | _____ |
| | _____ | _____ | _____ | 5K | _____ | _____ | _____ |
| 3. COIN OUT | _____ | _____ | _____ | 4D | _____ | _____ | _____ |
| | _____ | _____ | _____ | JRF | _____ | _____ | _____ |
| | _____ | _____ | _____ | WRF | _____ | _____ | _____ |
| 4. HOPPER | _____ | _____ | _____ | 4K | _____ | _____ | _____ |
| 5. XTRA CO | _____ | _____ | _____ | FH | _____ | _____ | _____ |
| | _____ | _____ | _____ | FL | _____ | _____ | _____ |
| 6. DOOR OPEN | _____ | _____ | _____ | ST | _____ | _____ | _____ |
| 7. POWER UP | _____ | _____ | _____ | 3K | _____ | _____ | _____ |
| 8. EE READ | _____ | _____ | _____ | 2P | _____ | _____ | _____ |
| 9. EE WRITE | _____ | _____ | _____ | 1P | _____ | _____ | _____ |

BALLY VIDEO POKER

MONTHLY SUMMARY

SERIAL/LOCAL NO. _____ ACTUAL DATES COVERED: _____ TO _____

| I. STATISTICAL DATA I | ENDING | BEGINNING | ACTUAL |
|-------------------------------------|--------|-----------|--------|
| 1. COINS IN | _____ | _____ | _____ |
| 2. COINS OUT | _____ | _____ | _____ |
| 3. TOTAL PLAY | _____ | _____ | _____ |
| 4. TOTAL IN | _____ | _____ | _____ |
| 5. TOTAL OUT | _____ | _____ | _____ |
| 6. CREDITS RESET | _____ | _____ | _____ |
| 7. TOTAL CREDITS RESET | _____ | _____ | _____ |
| 8. ATTENDANT PAY | _____ | _____ | _____ |
| 9. DROP BOX | _____ | _____ | _____ |
| 10. GAMES PLAY SINCE RESET | _____ | _____ | _____ |
| 11. GAMES PLAY SINCE DOOR CLOSED | _____ | _____ | _____ |

II. HAND COUNTS

| | | | |
|--------------------|-------|-------|-------|
| 1. ROYAL FLUSH | _____ | _____ | _____ |
| 2. STRAIGHT FLUSH | _____ | _____ | _____ |
| 3. FOUR OF A KIND | _____ | _____ | _____ |
| 4. FULL HOUSE | _____ | _____ | _____ |
| 5. STRAIGHT | _____ | _____ | _____ |
| 6. THREE OF A KIND | _____ | _____ | _____ |
| 7. TWO PAIRS | _____ | _____ | _____ |
| 8. JACKS OR BETTER | _____ | _____ | _____ |

BUPERSINST 1710.13A

[illegible]

* ENTER CUMULATIVE TOTALS FROM PREVIOUS SHEET THIS LINE

MONTHLY SLOT MACHINE PERFORMANCE RECORD (ELECTRO/ELECTRONIC MACHINE)

ACTIVITY_____DENOMINATION OF MACHINE_____ LOCAL MACHINE CONTROL NO._____

MACHINE SERIAL NO. _____ YEAR _____

[illegible]

**HISTORICAL SLOT MACHINE PERFORMANCE RECORD
(ELECTRO/ELECTRONIC MACHINE)**

Cumulative Overhaul to Date Analysis of
Machine's Performance

ACTIVITY _____ DENOMINATION OF MACHINE _____ LOCAL MACHINE CONTROL NO. _____

MACHINE SERIAL NO. _____ YEAR _____

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|------|---------------------|----------------------|-----------------------|---------------------|--------------------------------|------------------|
| DATE | \$ VALUE COIN IN | \$ VALUE COIN OUT | NUMBER OF JACKPOTS | \$ VALUE CASHBOX | TOTAL MALFUNCTION PAYOUT | HOPPER REFILL |
| CUM | | | | | | |
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BUPERSINST 1710.13A

[illegible]

* THE MANUFACTURER'S PRE-SET PAYOUT PERCENTAGE SHALL BE INDICATED AT TOP OF COLUMN NO. 10.

MACHINE SERIAL _____ YEAR _____

Sample 1e

BUPERSINST 1710.13A

[illegible]

* ENTER CUMULATIVE TOTALS FROM PREVIOUS SHEET THIS LINE

| QUARTERLY GAMING DEVICES PERFORMANCE STATEMENT | | | | |
|--|---|----------|----------|----------------------------|
| MORALE, WELFARE AND RECREATION (Include Base Name and Address) | | | | |
| FROM: | EXACT DATES COVERED BY THIS REPORT _____ TO _____ | | | |
| TO: BUREAU OF NAVAL PERSONNEL MWR DIVISION PERS-655C3 WASHINGTON, DC 20370 | FOR BUPERS USE ONLY QUARTER OF OPERATION <table border="1" style="display: inline-table; width: 40px; height: 20px; vertical-align: middle;"></table> ACTIVITY NUMBER <table border="1" style="display: inline-table; width: 40px; height: 20px; vertical-align: middle;"></table> | | | |
| 1. A. TOTAL NUMBER COIN PLAYS (Per meter) | \$ 0.25 | \$ 0.10 | \$ 0.05 | |
| B. TOTAL MONEY PLAYED (Add 3 columns) | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 2. CASH BOX INCOME | | | | \$ _____ PERCENTAGE _____% |
| 3. A. LESS HAND PAID JACKPOT | \$ _____ | | | _____% |
| B. LESS REFUNDS PAID | \$ _____ | | | _____% |
| C. LESS COIN HOPPER REFILLS | \$ _____ | | | _____% |
| D. ADJUSTMENTS (List on reverse side) | \$ _____ | | | _____% |
| E. TOTAL (Lines 3a, 3b, 3c and 3d) | \$ _____ | | | _____% |
| 4. TOTAL DEPARTMENT REVENUE (Line 2 minus line 3e) | | | | \$ _____% |
| 5. LESS SALARIES AND WAGES: | | | | |
| A. CASHIER (Include employee meals) | \$ _____ | | | |
| B. GAME ROOM DUTY MANAGERS (Local) | \$ _____ | | | |
| C. MAINTENANCE EMPLOYEES (Local) | \$ _____ | | | |
| D. MISCELLANEOUS EMPLOYEE EXPENSES (List on reverse side) | \$ _____ | | | |
| E. TOTAL (Lines 5a, 5b, 5c and 5d) | | | | _____% |
| 6. LESS MAINTENANCE OF FACILITIES: | | | | |
| A. CLEANING OF SPACES | \$ _____ | | | |
| B. MAINTENANCE OF MACHINES | \$ _____ | | | |
| C. MISCELLANEOUS MAINTENANCE EXPENSES (List on reverse side) | \$ _____ | | | |
| D. TOTAL (Lines 6a, 6b and 6c) | | | | \$ _____ |
| 7. TOTAL DEDUCTIONS (Lines 5e and 6d) | | | | \$ _____% |
| 8. NET PROFIT (Line 4 minus line 7) | | | | \$ _____% |
| CERTIFICATION | | | | |
| I have carefully checked the entries on the foregoing statement and certify that they are correct. | | | | |
| <input type="checkbox"/> Club Manager <input type="checkbox"/> MWR Director | | | | |
| <div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Printed Name</div> <div>Signature</div> </div> | | | | |
| <input type="checkbox"/> Senior Member of Audit Board | | | | |
| <div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Printed Name</div> <div>Signature</div> </div> | | | | |
| COPY TO IMMEDIATE SUPERVISOR IN COMMAND ACTIVITY FILES | | | | |

FINANCIAL AND OPERATING STANDARDS FOR NAVY QUICK SERVICE
(SNACK BAR) FOOD AND BEVERAGE OPERATIONS

1. FINANCIAL STANDARDS:

| | <u>CATEGORY C</u> | <u>CATEGORY B</u> |
|----------------------------|-------------------|-------------------|
| Food Dept COGS | 35% | |
| Beverage Dept COGS | 35% | |
| Food Dept Direct Labor | 35% | |
| Beverage Dept direct Labor | 25% | |
| Food Dept Net Income | 10% | 5% |
| Bar Dept Net Income | 30% | 30% |
| Dept 05 Net Income | 25% | 25% |
| Activity Net Profit | 20% | |

a. Management determines the break-even-point (BEP) and develops a plan of action to structure operations to achieve the BEP, plus the required percent net profit margin. This is accomplished as part of the annual budget process

b. Management has a documented system to account for and pinpoint responsibility for all food and beverage inventory and all cash receipts. The system includes: retail accountability; high-cost/sensitive item inventory control.

c. Management establishes prices by using the break-even analysis, financial standards, local competitive position and perceived value. Management reviews prices at least semiannually and takes appropriate action.

d. Management documents that a budget-to-actual variance analysis occurs monthly and operational adjustments are made when needed.

e. Management conducts an annual review of all services and programs to assess cost effectiveness.

2. SATISFIED CUSTOMERS

a. Management conducts a locally developed survey, telephone, focus group or written, annually (as a supplement to Leisure Needs Assessment) to determine customer desires and needs. Documented adjustments are made to programs and services on survey results. Management reviews customer comment cards and insures that feedback is provided where applicable.

b. If completed within the past year, the Leisure Needs Assessment results should show at least 75 percent of surveyed patrons "Agree" or "Strongly Agree" that they are satisfied with the services and products offered.

c. Management, the person holding management responsibility during this time, is visible to patrons during all meal periods, special events, catered events.

3. QUALITY PRODUCTS AND PROGRAMS

a. Management has developed and uses standardized, written recipes for every food and mixed beverage item served.

b. Management has developed and uses written specifications for the purchase of food, beverage and related supplies.

c. Management has written standard operating procedures for services and programs.

d. Management updates/re-evaluates all recipes, specifications and procedures at least annually.

e. Management coordinates operating hours, and any other applicable areas, with the golf or bowling center (host activity) primary manager where applicable.

4. PROFESSIONAL MANAGEMENT AND STAFF

a. Management approves, in writing, the selection of all staff.

b. Management maintains a documented program of organizational orientation for all employees.

c. Management has completed the BUPERS Mid-Level Management Course within the first year after employment and has completed AFCUP

Snack Bar Management and Cost Control Programs within the first two years of employment.

d. Management maintains a documented program of job-related training for all employees which includes the knowledge and understanding of programs and services offered by the golf course or bowling center (host facility) where applicable.

e. The manager, and key management staff, must attend at least one outside professional development experience per year after completing the requirement in para 4c.

f. Managements insures that there is an effective program to prevent excessive consumption of alcoholic beverages and that all servers of alcoholic beverages have received BUPERS approved intervention training.

5. ATTRACTIVE, WELL-MAINTAINED FACILITY

a. Management has a program of furniture, fixtures and equipment maintenance which results in all operational requirements being met. If operational requirements are jeopardized (i.e., would be closed or unable to deliver committed services), action is taken, and documented, which will correct the deficiency within 3 days.

b. During any 6-month period, maintains an average environmental health inspection score of not less than 85 percent with no score below 75 percent. Management corrects all violations or initiates corrective action so that no violation appears on more than two consecutive reports.

c. Management conducts a daily comprehensive walk-through inspection and causes corrective action to be taken on all noted deficiencies. A checklist will be used and maintained for this purpose.

d. Management maintains a written 1-year and 5-year plan to ensure programmed fixed asset and minor property renewal and replacement requirements.

6. EFFECTIVE MARKETING PROGRAM

a. Management has a written annual marketing plan in place which uses the MWR Senior Manager's Desk Reference Volume 1, Program Assessment and Marketing Management Guide, and there is evidence that

management uses the plan effectively and updates it at least quarterly.

b. Management conducts an annual self-inspection using the checklist contained in appendix A, BUPERSINST 1710.13.

c. Echelon II Commanders are authorized to adjust/waive standards for an activity under their command. Request for waivers to published standards are made direct to Echelon II Commanders through the chain of command. Echelon II Commands shall inform the BUPERS MWR Division (Pers-65) of all waivers granted.

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